FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,496 Monday December 10 1984 D 8523 B

Elusive agenda for arms control talks, Page 15

NEWS SUMMARY

Tehran hijackers give in to troops

Iranian troops stormed the hijacked Kuwaiti aircraft held at Tehran for more than five days. They secured the surrender of the five gunmen, who came down the aircraft steps with the remaining hostages, both groups holding their hands above their heads.

Earlier the hijackers, believed to be three Lebanese and two Palestinians, released seven more hostages but stepped up their threats to blow up the aircraft. At least five hostages had already been shot dead by the gunmen, who were demanding the release of 17 prisoners held by Kuwait.

Nato HQ attacked

A left-wing urban guerrilla group, the Popular Front of April 25, claimed responsibility for a grenade attack on Nato's Iberian headquarters at Oeiras near Lisbon.

Green options open

The "pragmatist" wing of West Germany's Greens has succeeded in keeping alive its party's option of power-sharing with the Social Democrats. Page 3

France 'to acquiesce'

France has decided to acquiesce on the Libyan military occupation of northern Chad, agency reporters were told by an unnamed senior official close to President François Mitterrand, who is visiting Zaire. France is to take no further military action to dislodge Libyan troops supporting Chad rebels north of the 16th parallel.

Atomic power talks

Israel is in an advanced stage of negotiation with France over the possibility of buying one or two nuclear power stations. Page 3

Romanian changes

Romanian leader Nicolae Ceausescu has reshuffled the ruling Communist Party's top decision-making body, the Standing Bureau, which has been cut from 13 members to eight.

Craxi criticised

Italian Prime Minister Bettino Craxi was criticised by his coalition partners for meeting Palestine Liberation Organisation leader, Yassir Arafat.

Paris car bomb

A bomb, thought to have been placed under a parked car, wrecked the Paris headquarters of France's main opposition party, the RPR. No one was injured.

Election peace plea

India's Election Commission appealed for an end to violence during the campaign as a policeman was reported killed in eastern Bihar State.

Rebels' TV coup

Peruvian guerrillas captured a television crew, made them tape a protest against alleged torture of jailed left-wing rebels and persuaded the country's Channel 2 to broadcast it.

Students released

Egypt's state security prosecutor ordered the release of 65 of about 100 students arrested during last month's riots at Al-Azhar university in Cairo.

Sharon 'must return'

Mr Ariel Sharon, Israeli Trade and Industry Minister, should return home immediately from New York, where he is suing Time magazine for libel, or resign from the Government, said a fellow Cabinet minister.

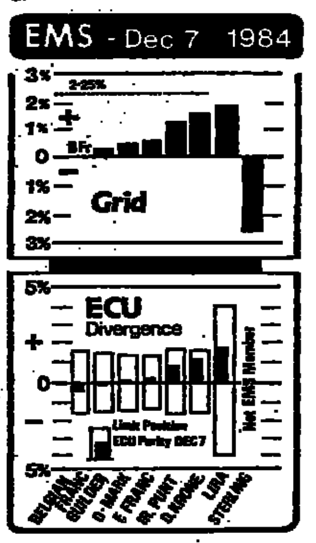
U.S. airline grounded

The U.S. Federal Aviation Administration grounded another small commuter airline, American Central based in Iowa, citing 30 safety violations and falsification of records. Page 3

Germans expect EMS stability

WESTGERMAN monetary authorities believe there is a good chance that no currency realignment within the European Monetary System will be needed for at least another year. Page 16

TRADING volume slowed significantly in the European Monetary System last week as activity started to slow down before the year end. The dollar was slightly weaker against the D-Mark in erratic trading, but there was no resultant pressure on the weaker members of the system. The D-Mark's firmer trend against the dollar reflected renewed open market intervention by the Bundesbank, which took advantage of the low volume to push the dollar weaker. The Italian lira remained the strongest currency, followed by the Danish krone.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

NORWAY threatens to abandon the sale to the UK of gas worth £20bn ($24bn) from the Sleipner field unless the British Government states its intention by the end of the year to buy the gas. Page 4

EEC AND Japanese trade officials are expected to announce today details of a new agreement restraining Japan's videocassette recorder exports in 1985. Page 15

SUDAN and a Saudi Arabian businessman, Adnan Khashoggi, have agreed the operational rules of the National Oil Company of Sudan (NOCS) they set up in September.

TREASURY Secretary Donald Regan said U.S. economic growth might not reach 4 per cent next year, as he had predicted.

LLOYD'S ruling council will decide today what action should be taken against two of its insurance underwriters after an investigation into their dealings with an offshore company in Bermuda. Page 8

HONDA agreed to supply technology and parts to China's Shanghai-Yichu Motorcycle Company, which hopes to produce an eventual 120,000 units per year of a 125cc model developed by Honda.

SALENINVEST Swedish shipping group, said a consortium of finance companies and merchant banks had agreed to underwrite a SKr 300m ($34m) injection of new equity capital. Page 19

INDEPENDENT directors on the board of United Technologies, the U.S. conglomerate, rejected claims that the group's management had been "engaged in illegal or improper activities" after chairman Mr Harry Gray was accused of electronically bugging other executives. Page 19

VOLKSWAGEN DO BRASIL is set to complete a $630m triangular countertrade agreement with Iraq which includes the sale of cars in return for petroleum to sell to Brazil's state oil company.

Union Carbide still unsure about cause of gas leak

BY JOHN ELLIOTT IN BHOPAL AND OUR NEW YORK STAFF

UNION CARBIDE, the U.S. chemicals group, said yesterday that it still could not offer a clear account of what went wrong in Bhopal, central India, where more than 2,500 people are estimated to have died in the past week after a gas leak. More than 100,000 have been treated in hospitals and clinics.

Mr Warren Anderson, Union Carbide chairman, is planning to give a press conference today at the company's headquarters in Connecticut to report on his visit to the disaster area.

The company said yesterday it was not clear when Mr Anderson would arrive back in the U.S. after the troubled visit in which he was briefly placed under house arrest and charged with criminal conspiracy in connection with the pesticide plant gas leak.

The company also faces a $15bn class action suit filed in a U.S. district court late on Friday by lawyers representing Indians killed in the disaster.

Union Carbide said it believed that the company's five-man technical team, which left the U.S. with Mr Anderson last week, was allowed entry to the insecticide plant on Friday. No reports had been received by the company, however, and it was expected that it would be a "matter of weeks" before a detailed account of the causes of the disaster was made public.

In Bhopal, meanwhile, it became clear that Union Carbide had no safety or emergency procedures arranged with the local community around its plant.

"We did not know that such a small amount of gas leaked had the capacity to destroy human lives to this extent. The lethal properties were not known. We thought our safety controls were adequate so did not do any community education," one of the plant's managers, said.

"People outside the factory did not know what to do if there was a leakage. Inside, we knew what to do, but not those outside," Mr Hadan Lal Ranji, president of the local Union Carbide trade union, said.

That so far appears to be the main difference, apart from size and the absence of some computer controls, between the relatively small plant in Bhopal and Union Carbide's other, much larger, plant producing pesticides with lethal methyl isocyanate in the U.S. state of West Virginia, where there is full community liaison.

As a result, people ran in various directions away from the plant when the lethal gas descended on their homes near the factory. It was driven by a south-west wind and forced to the ground by heavy, misty winter air at 1 am last Monday.

"If it had been summer with thin air, most of the gas would probably have gone straight upwards and far less damage done," according to one company expert.

The factory employees knew to run in the opposite direction from the wind. Some remembered their training and put damp cloths over their faces, which neutralises the gas.

The general population had no such detailed knowledge, however. The first they knew was the sensation of burning throats and sore eyes, and all they thought of doing was to run away.

Methyl isocyanate, used to produce pesticides, has been stored since production started in 1979 in three underground 15-ton tanks,

Continued on Page 16

BNOC seeks support for reshaped oil pricing mechanism

BY IAN HARGREAVES AND DOMINIC LAWSON IN LONDON

THE BRITISH National Oil Corporation BNOC will this week attempt to reach agreement with its suppliers and customers on the details of its new spot-market-related pricing mechanism.

Meanwhile, Mr Alick Buchanan-Smith, the British Energy Minister, who returned from China at the weekend, is expected to set out the Government's views on the change of direction at BNOC, tomorrow.

Mr Buchanan-Smith, who is due to appear before the House of Commons energy committee, is expected to play down suggestions being made elsewhere in Whitehall the oil industry and in that the time has come for a radical review of BNOC's future.

In arguing that BNOC should be allowed to evolve in response to changing market conditions, the minister will be giving support to the type of pricing mechanism BNOC is now trying to put in place with its suppliers and customers.

The likeliest shape of BNOC's pricing systems, designed to replace the current practice of setting official prices in advance each quarter, is a method whereby the nominal price of BNOC oil will be set for each month according to the average spot price during the previous month.

This nominal price will be the actual price paid to producers, who are obliged to sell 51 per cent of their North Sea production to BNOC. It means that the amount paid for a barrel will fall sharply, since spot prices are currently more than a dollar a barrel below BNOC's official price.

For BNOC customers, the position is likely to be more complicated. Some have already been told that BNOC intends to use the nominal price as a point of reference in setting the figure at which it sells oil, but that the actual price could vary from deal to deal.

Customers who remain willing to sign long-term agreements, for example, would probably pay a lower price than those who wish to keep all their options open.

In pursuing this course BNOC has three aims:

- To eliminate or at least greatly reduce its trading losses, caused by buying at a high official price and selling at a lower, mainly spot price.
- To remove the incentive for oil companies to sell their own North Sea oil in the spot market and then buy back the same volume in order to cut the amount of tax they pay. This so-called "spinning" is held by some companies to have been a notable destabilising factor in the oil market in recent months.
- To make it harder for outsiders to judge exactly BNOC's official or nominal price. This is said to carry political advantages at a time when the Organisation of Petroleum Exporting Countries (Opec) is putting great pressure upon the UK to help to support the sagging, oversupplied oil market.

Final decisions on the shape of the pricing arrangements will depend upon the reaction of customers and suppliers in the oil industry and on political developments in the UK.

The timing of the planned changes remains in doubt, and is especially dependent on the meeting of Opec ministers in Geneva on December 19.

Officials seem undecided whether to try to implement changes rapidly before the meeting and then allow Opec to react or whether to wait until after the Geneva meeting.

Richard Johns adds: At a meeting in Kuwait at the weekend Opec's committee on differentials decided to recommend that its reference price of $29 a barrel for Arabian Light crude oil should remain unchanged.

Sheikh Ahmed Zaki Yamani, Saudi Arabian Oil Minister, who heads the committee, said that it had agreed to change differentials between varieties of grades. Its recommendations would be submitted to next week's full conference.

There is a general consensus in the oil industry that lighter oils as well as the Opec reference crude need to be lowered if a stable price structure taking into account current market realities, is to be established.

"Instead, the strategy to be proposed by Sheikh Yamani and his colleagues, Dr Mana said al Otaiba of the United Arab Emirates and Mr Fazwi Shakshuki of Libya, will evidently concentrate on raising the price of heavier oils while bringing the higher differentials on lighter varieties down close to $29.

Delegates at the oil producers' meeting taking place in Kuwait regard the move by BNOC and the British Government to relate North Sea prices to spot market realisations as a grave threat to Opec

Delors achieves bloodless EEC jobs shareout

BY QUENTIN PEEL IN BRUSSELS

M JACQUES DELORS, president-elect of the European Commission, has succeeded in allocating all the key jobs in his forthcoming administration without the traditional blood-letting and in reinforcing his own position at the same time.

His line-up of portfolios in the 14-man Commission, which takes over in Brussels in January, puts industrial and economic affairs in West German hands. British nominees will be responsible for transport, the environment and creating a genuine common market in goods and services. External relations and development will be split between Belgian, French and Italian commissioners.

M Delors himself will be responsible for monetary policy, which means development of the European Monetary System, a key area for future expansion. However, he has simultaneously managed to find meaningful jobs for almost all the representatives of the smaller states in the 10, with agriculture going to the Netherlands, competition and social affairs to Ireland, regional affairs to Greece, and the EEC budget to Denmark.

The new president has also managed to leave open for himself the option of a reshuffle in a year's time, when the two new commissioners from Spain and one from Portugal are supposed to join the team.

Smooth allocation of jobs in the new Commission has been one of M Delors's top priorities in recent weeks, as has a more logical and balanced division of portfolios. He seems largely to have achieved both of those.

European Commission Portfolios

Jacques Delors (Fr), President, monetary affairs, legal services
Frans Andriessen (Neth), Agriculture and fisheries
Claude Cheysson (Fr), North-South relations, Mediterranean policy
Henning Christopherson (Den), Budget, administration
Lord Cockfield (UK), Internal market, customs, financial institutions
Stanley Clinton Davies (UK), Environment, consumer protection, nuclear security, forestry, transport
Willy de Clercq (Bel), External relations, commercial policy
Carlo Ripa de Meana (It), Institutions, citizens' problems, information, culture
Nicolas Mosar (Lux), Energy, Euratom, publications
Karl-Heinz Narjes (Ger), Industry, information technology, R & D
Lorenzo Natali (It), Development, enlargement
Alois Pfeiffer (Ger), Economic affairs, employment
Peter Sutherland (Ire), Competition, social affairs
Grigoris Varfis (Gr), Regional affairs, parliamentary relations

A key task has been to accommodate M Claude Cheysson, the outgoing French Foreign Minister. Although Mr Cheysson has been denied his former development portfolio, he has been given responsibility for all North-South relations outside the Lomé agreement and for the development of a more coherent Mediterranean policy.

It remains to be seen how successfully he can work with Mr Willy de Clercq, the outgoing Belgian Finance Minister, who will be respon-

Continued on Page 16

OECD set to dash U.S. hopes in mixed credit talks

By Christian Tyler, Trade Editor, in London

U.S. HOPES of an international agreement to end the price war in trade and project loans to developing countries are likely to be disappointed when officials of the Organisation for Economic Co-operation and Development meet in Paris this week.

The U.S. has indicated that tomorrow's negotiations on the controversial issue of mixed credits (commercial lending softened with aid money) will be a make-or-break affair.

Unless OECD nations agree to check the proliferation of such deals, U.S. officials have said, America will retaliate with large-scale "predatory" trade financing of its own in order to support its capital goods exporters.

Despite the threats, other OECD nations appear reluctant to accept U.S. demands. The chief opposition in Europe comes from France, pioneer of the mixed credit technique. The Japanese and Canadians, however, are said to be almost equally wary of sacrificing what they see as their sovereign right to use soft credits.

The EEC, largely because of the French opposition, has failed to agree a common stance so far. Community finance ministers meet today but are expected to discuss only ways of improving the informal system for reporting mixed-credit contracts won by OECD member countries.

The U.S. wants to outlaw any soft credit in which the aid component is less than half the credit package. At present, the OECD's "gentleman's agreement" on export credits requires a minimum aid element of only 20 per cent.

According to officials, there is probably not even a majority in the OECD in favour of raising the threshold above 25 per cent. So the U.S. will probably be asked to be content with a better reporting system – or more "transparency" – to stop countries cheating.

The OECD guidelines require countries to report in advance mixed credits offers where government aid constitutes between 20 and 25 per cent of the deal. If it is more than 25 per cent, they have only to tell their competitors "promptly."

U.S. negotiators succeeded last year in overcoming French opposition and reforming the separate OECD agreement on interest-rate subsidies for export loans.

Thunder stolen from U.S. stand, Page 4

Norsk Hydro and Phillips meet as Pickens secures bid funds

BY FAY GJESTER IN OSLO AND WILLIAM HALL IN NEW YORK

NORSK HYDRO, the Norwegian energy group, confirmed yesterday that it was discussing with Phillips Petroleum about the possible effects of the bid by Mr T. Boone Pickens for control of the U.S. oil company.

Norsk Hydro and Phillips are stake-holders in the important Ekofisk field in Norway's sector of the North Sea. Phillips is the field's operator and has nearly a 37 per cent holding. Norsk Hydro has a 6.7 per cent share and Fina, Agip, Elf and Total hold significant stakes.

Phillips's Ekofisk stake is a big contributor to its earnings. More than half of the company's profits are from non-U.S. operations, of which the bulk comes from the North Sea field. Ekofisk accounts for a third of Phillips's worldwide oil production in volume terms.

Norsk Hydro says it is watching the situation closely and considering what to do, "perhaps in co-operation with Phillips," to safeguard the Ekofisk interests.

Confirmation has emerged in New York that Mr Pickens has raised the extra finance to enable him and his associates to proceed with a $1.38bn tender offer for 15 per cent of Phillips. This is the first step in what might develop into one of the biggest takeover battles in corporate history.

Mesa Petroleum, Mr Pickens's master company, said on Friday that it had arranged an additional $800m margin credit with a group of unidentified banks. The new borrowings will be used in conjunction with a $1bn oil and gas credit, raised earlier this year, to finance Mr Pickens and his two associates, Mr Cyril Wagner and Mr Jack Brown.

Last Tuesday when Mr Pickens and his associates announced their $60-a-share tender offer for Phillips, the ninth biggest U.S. oil company, they said they intended to purchase between 15m and 23m Phillips shares dependent on financing.

The investor group, which already owns 8.9m Phillips shares, now plans to tender for 23m shares which would increase its stake to about 21 per cent of the company.

Mr David Batchelder, Mesa's new finance chief, was unable to predict on Friday when the tender offer would begin, because of the continued legal manoeuvrings by both sides.

Phillips's shares closed $⅜ higher at $53 in heavy trading on Friday. Phillips has a current market capitalisation of $8.28bn compared with Mr Pickens's Mesa Petroleum, which is capitalised at $1.4bn.

Mr Batchelder said there was "no particular magic" about the bid for 21 per cent of Phillips. It reflected the amount of money the Pickens group had available. The percentage is, however, similar to the stake Mr Pickens and his group were bidding for in the climax of their six-month battle for control of Gulf Corporation. Mesa and its partners had built up a stake of 13.2 per cent and were bidding for another 8 per cent at $65 a share when Chevron topped their offer with a friendly $13.2bn bid at $80 a share.

Compared with Mr Pickens's earlier battle for Gulf, when he shared the financing burden with several other investors, this time his own company, Mesa Petroleum, is carrying the vast bulk of the financial burden. It is committing itself to provide $1.6bn to the partnership making the tender offer, while Mr Wagner and Mr Brown are each committing $100m.

Another difference in the battle for Phillips is that Mr Pickens is no longer advocating that Phillips should spin off a large part of its reserves in the form of a royalty trust from which income would flow direct to shareholders.

The royalty trust concept was an important issue in the Gulf battle but, according to Mr Batchelder, recent changes in U.S. tax laws have eliminated the scheme's attraction.

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November 21, 1984

OVERSEAS NEWS

Non-signatories put future of sea law convention in doubts

BY ANDREW GOWERS IN LONDON

THE FUTURE of the United Nations Law of the Sea convention remained deeply uncertain as the deadline for signing it passed yesterday with 10 important countries including Britain, West Germany and the U.S. still refusing to join.

A total of 158 states and supranational bodies, including the European Community, has now signed the convention, which sets out to define maritime boundaries, codify issues such as navigation rights and regulate seabed mining.

It has become a key test of relations between industrialised and developing countries, many of which are bitterly disappointed at the decision by Bonn and London to join the U.S. in refusing to sign.

The treaty needs to be ratified by 60 signatories to enter into force. By yesterday, only 14 had done so, and UN officials in New York believe it may take at least three years to get a full complement. Some say it is doubtful whether, in the absence of ratification by industrialised countries, sufficient funds would be available to implement important parts of the convention.

"This convention is a slow process because it has as lot of financial implications and there are a lot of crucial interests at stake," Ms Annick Demarssy, a UN legal officer, said.

Britain, West Germany and the U.S. have refused to sign because they oppose the convention's provisions on seabed mining, which they say run counter to the interests of Western mining companies and could cause an extension of international bureaucracy. The convention provides for the creation of an International Seabed Authority and of a body called The Enterprise, which would mine alongside established companies and distribute the profits.

Other states oppose the treaty for a variety of political and territorial reasons.

Turkey, for example, is holding back because of its territorial dispute over the Aegean with Greece, while Venezuela cannot sign because of a similar boundary row with Colombia and Guyana. Albania has difficulties with the definition of territorial waters in the convention. Israel objects because it fears the Palestine Liberation Organsation may benefit from some of its provisions (although the PLO cannot sign in its own right).

However, while the U.S. has boycotted preparatory work for the convention, Britain and West Germany insist they have not altogether ruled out involvement. By agreeing that the EEC should sign, they have given themselves a voice in aspects of the convention affecting fisheries, customs, pollution and trade policy, for example – all of which fall within the European Community's competence.

The Foreign Office in London, said that, in addition, Britain hopes to influence the provisions on seabed mining, being worked out in detail by a preparatory commission due to meet again next spring, through signatories such as France and Japan. These countries have indicated they will not ratify the convention unless the seabed mining clauses are altered to the industrialised countries' advantage. Britain and West Germany retain observer status in the commission.

"It is still open to us to accede at later stage if the seabed mining provisions have been altered in a way that is acceptable to us," the Foreign Office said. It added, however, that attempts to change the convention so far had only met with a "limited response" on some technical issues.

The debate about seabed mining is academic at present, as there is a glut of many of the minerals concerned. Four signatories to the convention – France, Japan, India and the Soviet Union – have already applied to become so-called "pioneer investors" in the sector, which will give them a head start if and when exploitation of the seabed does go ahead.

Those who have refused to sign the convention are: Albania, Britain, Ecuador, Israel, Kiribati, Nicaragua, Peru, Syria, Tonga, Turkey, U.S., West Germany.

Those who have ratified it are: Bahamas, Belize, Cuba, Egypt, Fiji, Gambia, Ghana, Ivory Coast, Jamaica, Mexico, Philippines, Senegal, Zambia, UN Council for Namibia.

Florida repeals unitary tax

By Nancy Dunne in Washington

THE FLORIDA State legislature voted on Friday to repeal its unitary tax and replace it with a rise in the state's corporate profits tax from 5 to 5.5 per cent.

By abolishing the practice of taxing multinational corporations on their global earnings, Governor Robert Graham hopes to spur the state's aggressive campaign of attracting new business.

His office immediately began sending hundreds of telegrams to every company that has considered or is considering moves to the state to inform them that the Florida unitary tax no longer exists.

The repeal vote is the result of massive pressure from domestic and international business.

Florida officials received hundreds of letters from enraged corporations after the state adopted the tax last year. IBM sold land it had purchased for a possible plant location.

Florida is the second state to drop the tax since a Treasury task force on unitary taxation last summer obtained an agreement to end it from officials in most of the 12 unitary-tax states.

In August, the Oregon legislature, under pressure from Japanese companies, modified its unitary tax so that it was levied only on a company's U.S. operations.

NEC, the Japanese electronics company, announced that it would build a \$25m fibre-optics plant near Portland, Oregon, after receiving assurances of the tax's repeal.

Mr Donald Regan, the U.S. Treasury Secretary, has warned the unitary-tax states that if they fail to act to abandon the method by July 31, he will propose federal legislature that would force such a ban on them.

California, the largest unitary-tax state, has been under heavy pressure from Japanese and European business.

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French industrial investment up

BY DAVID HOUSEGO IN PARIS

A SIGNIFICANT increase in the level of investment in French manufacturing industry is indicated by the latest quarterly survey of French business opinion carried out by Insee, the official statistics institute.

The replies of industrialists on their investment intentions point to a 9 per cent volume increase in the level of investment this year, Insee says in a report released at the weekend.

This is only marginally down on the 11 per cent Insee had predicted earlier in the year as a result of its quarterly surveys, and follows a long period of flat or declining industrial investment.

The new Insee inquiry has been long awaited because of the contradictory signs that have emerged in recent months of the state of industrial investment.

Insee's own national account figures point to a continuing stagnation of industrial investment in the first three quarters of the year. But the national accounts figures include both the construction sector and the public utilities, which are experiencing a sharp decline in investment.

By contrast Insee's surveys of business opinion cover only the manufacturing sector including the newly natoinalised competitive industries.

The Government, which for some months has been insisting that a recovery in manufacturing investment is taking place, drew some comfort for its view from the increase in subsidise investment credits extended to industries and from the growth in volume of imports of investment goods.

None the less the employers' federatoin, the CNPF, last week pointed to a much slower level of recovery, saying that its surveys indicated a 5-7 per cent growth investment in volume terms this year followed by a further 5·7 per cent in 1985.

Correction

In our story "Poehl outlines plan of action for EMS" in Saturday's issue a dropped line distorted the meaning of one sentence which should have read: "Chancellor Helmut Kohl, in contrast to his predecessor Helmut Schmidt, takes little interest in monetary affairs."

Company Notices

BRAZILIAN STERLING LOANS: DECREE LAW NO. 6019
STATE OF BAHIA 5% FUNDING LOAN 1915

NOTICE IS HEREBY GIVEN that for the Sinking Fund of the above Loan for January 1985 bonds for a nominal amount of £9,550 have been drawn for redemption.

The following are the numbers of the bonds drawn for redemption at par on 1st January 1985, after which date all interest thereon will cease.

637 SERIES 'A' BONDS £10 NOMINAL VALUE EACH = £6,370

[illegible]

104 SERIES 'B' BONDS £10 NOMINAL VALUE EACH = £1,040

[illegible]

57 SERIES 'C' BONDS £20 NOMINAL VALUE EACH = £1,140

168	560	1471	1556	1559	1757	2159	2172	2452	2538
2554	2654	2910	3045	3063	3210	3213	3215	3216	3234
3257	3532	3738	3866	3869	3911	3912	3917	4088	4105
4270	4378	4471	5072	5180	5181	5184	5185	5590	5601
6503	6744	6745	6746	6915	6943	6998	7488	7489	7490
7491	7575	7622	7734	7794	7847	7883			

10 SERIES 'D' BONDS £100 NOMINAL VALUE EACH = £1,000

232	262	368	369	373	374	377	378	503	674

The above bonds should be presented at the London Offices of Lloyds Bank International Limited, listed on the appropriate forms and must bear all coupons subsequent to 1st January 1985 otherwise the amount of the missing coupons will be deducted from the principal moneys.

BRAZILIAN STERLING LOANS: DECREE LAW NO. 6019
STATE OF PERNAMBUCO 5% LOAN 1905

NOTICE IS HEREBY GIVEN that for the Sinking Fund of the above Loan for January 1985 bonds for a nominal amount of £9,220 have been drawn for redemption.

The following are the numbers of the bonds drawn for redemption at par on 1st January 1985, after which date all interest thereon will cease.

461 BONDS OF £20 NOMINAL VALUE EACH = £9,220

[illegible]

The above bonds should be presented at the London Offices of Lloyds Bank International Limited, listed on the appropriate forms and must bear all coupons subsequent to 1st January 1985 otherwise the amount of the missing coupons will be deducted from the principal moneys.

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NOTICE TO SHAREHOLDERS

The shareholders are invited to attend the Extraordinary General Meeting which will take place on Tuesday 18 December 1984 at 10.30 a.m. at Société Générale de Belgique, rue Royale 30, Brussels.

AGENDA

1. Closing report of the liquidators.
2. Appointment of the auditor.
3. Ratification of the notice convening the second Extraordinary General Meeting to be held on the same day and in the same place at 11 a.m. with the following items on the agenda:
   a. Report of the auditor.
   b. Approval of the liquidation accounts.
   c. Discharge to be given to the liquidators.
   d. Conservation of the company's books and documents and deposit in safe keeping of the assets accruing to the shareholders.
   e. Closure of the liquidation procedure.

In order to be admitted to this meeting holders of bearer shares must deposit their shares (no par value shares, tenths of no par value shares or exchange certificates) with one of the following financial institutions on or before Tuesday 11 December 1984:

Belgium:
Société Générale de Banque, Brussels, or one of its other regional offices or branches.

France:
Banque Belge (France), 12 rue Volney, 75002 Paris

Netherlands:
Amsterdam-Rotterdam Bank, Herengracht 595, 1001 Amsterdam.

Holders of bearer shares will be admitted to the meeting on production of a certificate from one of the above banks indicating the identity of the holder of the shares and confirming that the shares will remain on deposit from 11 to 18 December 1984 inclusive.

Holders of registered shares must inform the company by Tuesday 11 December 1984 that they intend to attend or be represented at the meeting.

Proxies, granted in accordance with article 30 of the memorandum and articles of association, must be lodged with the company's registered office at avenue Louise 54, 1050 Brussels on or before Tuesday 11 December 1984.

Shareholders can obtain proxy forms from the company's registered office at avenue Louise 54, 1050 Brussels on or before Tuesday 11 December 1984.

Shareholders can obtain proxy forms from the company's registered office and from the above-mentioned banks.

THE LIQUIDATORS

CITY OF LIMA
(THE HONOURABLE PROVINCIAL COUNCIL OF LIMA)
5% FIRST MORTGAGE BONDS 1911

NOTICE IS HEREBY GIVEN that for the Sinking Fund of the above Loan for January 1985. Bonds for an original nominal amount of £900 have been purchased and £5,400 drawn for redemption.

The following are the numbers of the Bonds drawn for redemption on 1st January 1985 after which date all interest thereon will cease. Payment will be made at the new par value of £171 per £100 Bond in accordance with the Republic of Peru Offer dated 13th January 1955.

54 Bonds of £100 Original Nominal Value Each

79	451	738	968	1093	1108
1280	1416	1417	1489	1556	1638
1674	1792	1913	2005	2139	2242
2292	2318	2323	2424	2478	2630
2687	2718	2797	3006	3223	3284
3337	3707	3796	3835	4081	4124
4144	4373	4497	4611	4631	4641
4644	4749	4883	4914	4949	5028
5368	5399	5414	5511	5660	5958

The above Bonds should be presented at the London Offices of Lloyds Bank International Limited, listed on the appropriate forms and must bear all coupons subsequent to 1st January 1985 otherwise the amount of the missing coupons will be deducted from the redemption proceeds.

COMISION FEDERAL DE ELECTRICIDAD (CFD)
8% 1972/1987 U.S.\$20,000,000

On November 26, 1984, Bonds for the amount of U.S.\$1,650,000 have been drawn for redemption in the presence of a Notary Public.

The Bonds will be reimbursed coupon due February 1, 1986 and following attached on and after February 1, 1985.

The drawn Bonds are those, NOT YET PREVIOUSLY REDEEMED, included in the range beginning:
at 13846 up to 16771 incl.

Amount unamortised: U.S \$3,500,000.

Outstanding drawn Bonds
3830 to 3832 incl., 4002 and 4003, 7906 to 7917 incl., 7956 and 7957, 9357, 9598 to 9602 incl., 9605, 10104 to 10116 incl., 10189 to 10196 incl., 10416 to 10453 incl., 10556.

The Trustee
FINIMTRUST S.A.

Luxembourg.
December 10, 1984.

NOTICE IS HEREBY GIVEN that the Transfer Books of the 5½% Debenture Stock 1976/85, of this Company will be closed from the close of business on 17 January 1985 and will not re-open.

Hayes Park,
Hayes,
Middlesex.

H. J. HEINZ COMPANY LIMITED

CANADIAN NORTH ATLANTIC WESTBOUND FREIGHT CONFERENCE
CANADA-UNITED KINGDOM FREIGHT CONFERENCE

NOTICE TO SHIPPERS AND IMPORTERS

GREAT LAKES ADDITIONALS
TERMINAL SERVICE CHARGES IN THE U.K.
NEWFOUNDLAND ARBITRARY

The Member Lines of the above Conferences operating services between the United Kingdom, Northern Ireland and the Republic of Ireland and Canadian Maritime, St. Lawrence River and Great Lakes ports have to advise shippers and importers that, consequent upon an announcement by the Canadian rail companies of increases in their charges with effect from 1st January 1985 it has become necessary to reflect these third party increases in the Great Lakes Additionals. Details of the new charges effective 1st January 1985 may be obtained from any of the undernoted Member Lines.

TERMINAL SERVICE CHARGES APPLICABLE IN THE UNITED KINGDOM

To reflected third party cost increases which the Member Lines have incurred in relation to terminal service charges in the United Kingdom on both Eastbound and Westbound cargo these charges will be increased with effect from 1st January 1985. Details of the new charges may be obtained from any of the undernoted Member Lines.

NEWFOUNDLAND ARBITRARY CHARGES

Consequent upon the announcement by the carriers of cargo between Halifax, N.S. and St. John's, Nfld. of an increase in their rates for containerised cargo moving house/house, house/pier, and pier/house, the Member Lines have no alternative but to increase the Arbitrary charges which are presently applicable. Accordingly these charges will be increased with effect from 1st January 1985 to the following levels:

Westbound—
\$1,235 per 20 ft container
\$1,650 per 40 ft container

Eastbound—
no increase

There will be no change at the present time to charges applicable to L.C.L. cargo.

CONFERENCE MEMBERS:
Atlantic Container Line G.I.E.
Canada Maritime
Hapag-Lloyd AG
ML Containerline Ltd.
Sea-Land Service Inc.
Cast (1983) Ltd. (Associate Member)

CANADIAN ATLANTIC FREIGHT SECRETARIAT LTD.
Secretaries.

Cunard Building,
Liverpool L3 1DS.
December 1984.

FLEMING JAPAN FUND SICAV

LUXEMBOURG, 43, Boulevard Royal
r.c. Luxembourg b 8.392

Following the decisions of the general meeting of shareholders held on the 5th of November 1984, the company has adopted the status of a sicav according to chapter 2 of the Law of the 25th of August 1983 relating to collective investments undertakings. Shares are now of no par value.

Therefore from December 10th to January 10th, 1985 the share certificates of the company will have to be remitted for stamping to Kredietbank S.A. Luxembourgeoise, 43, Boulevard Royal, Luxembourg.

As from January 10th, 1985, shares not stamped are no longer of good delivery at the Luxembourg stock exchange.

By Order of the Board of Directors

Ireland
£100,000,000 Floating Rate Notes 1996

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the three months period 6th December, 1984 to 6th March, 1985 has been fixed at 9⅞ per cent per annum. Coupon No. 1 will therefore be payable at £1,217.47 per coupon from 6th March, 1985.

Samuel Montagu & Co. Limited
Agent Bank

THE COPENHAGEN COUNTY AUTHORITY (C.C.A.)
8% 1971/1986 UA 12,000,000

On November 26, 1984 Bonds for the amount of UA 1,200,000 have been drawn for redemption in the presence of a Notary Public.

The Bonds will be reimbursed coupon No 15 attached on and after February 10, 1985.

The drawn Bonds are those, NOT YET PREVIOUSLY REDEEMED, included in the range beginning:
at 5733 up to 7448 incl.

Amount unamortised: UA 1,200,000.

Outstanding drawn Bonds:
1187 and 1188, 1277, 1326, 2412, 2645 and 2646, 2662 to 2665 incl., 2773, 2832, 2936 to 2938 incl., 3002 to 3004 incl., 3022 and 3023, 3282 to 3285 incl., 3375 to 3377 incl., 3390 and 3391, 3456 to 3459 incl., 3615 to 3620 incl., 3623 to 3632 incl., 3639 to 3642 incl., 3649 to 3651 incl., 3689 and 3690, 3807 and 3808, 3828, 3871, 3874, 3901 and 3902, 4008 to 4012 incl., 4071 and 4072, 4144 and 4145, 4239, 4245 and 4246, 4290 and 4291, 8032 and 8033, 8036 to 8045 incl., 8063, 8105, 8113, 8119, 8341 to 8344 incl., 8521 to 8523 incl., 8536, 8539 and 8540, 9199, 9700 to 9705 incl., 9775 and 9776, 9910 to 9914 incl., 9918, 10034 and 10035, 10072, 10082 to 10085 incl., 10142 to 10144 incl., 10165 and 10166, 10171 and 10172, 10664 and 10665.

The Trustee
FINIMTRUST S.A.

Luxembourg, December 10, 1984.

Contracts & Tenders

PEOPLES REPUBLIC OF BENIN
PROCUREMENT NOTICE

The Government of the People's Republic of Benin has received a credit from the International Development Association (IDA) in conjunction with loans from the European Investment Bank (EIB) and intends to apply the proceeds of said credit and loans towards the further development of the Seme Oilfield, offshore Benin.

As part of this further development, Saga Petroleum Benin A.S., acting for and on behalf of the Government of Benin, will be inviting bids for the supply of materials for two wells, designated SC-3 and S-8. Both wells will be drilled by the field's own jack-up drilling platform to a depth of approximately 2,300 m, one from an existing fixed platform and one from a free-standing conductor.

Qualified companies interested in bidding for the supply of conductor pipe, casing, mudline suspension systems, cement, drill bits etc. are invited to apply for bid documents at the address below. Bid documents will be available on 3 January 1985 for bids to be submitted on 17 January 1985. Companies are requested to refer to this notice when replying.

SAGA PETROLEUM BENIN A.S.
P.O. BOX 177
4033 FORUS
NORWAY
Att: Mr. T. Haaland

FINANCIAL TIMES

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Conferences

CBI CONFERENCE, Occupational Pension Schemes and Retirement Policy. Speakers include Rt. Hon. Norman Fowler, Ray Buckton, ASLEF, and well known representatives from industry (01-379 7400, Ext. 561).

Sri Lankan soldiers hold 200 in drive against Tamil rebels

BY MERVYN DE SILVA IN COLOMBO

THE Sri Lankan army has launched a large "search and destroy" mission in the north of the island, during a 42-hour curfew, in which more than 200 alleged Tamil seperatist guerrillas were arrested in three armed camps along with quantities of ammunition, rifles, bombs and fake army and police uniforms.

The drive came as a special U.S. Presidential envoy, Gen Vernon C. Walters, arrived in Colombo, to confer with the government about the communal violence, which has caused more than 400 deaths in the past three weeks alone.

General Walters, a former deputy director of the CIA and now an ambassador-at-large, is to have talks with President Junius Jayewardene and other top officials.

It seems that the Sri Lankan Government wants a supply of U.S. military equipment to combat the Tamil guerrillas, the more militant of whom want to establish a seperate Tamil state in the north of the island.

Mr Ananda Tissa de Alwis, Information Minister, has announced that some new arms and equipment for the security forces have recently arrived in the capital.

There have been complaints that the army, which is largely officered and manned by Sinhalese who form the majority of the island's population, has not had the means to combat the growing competence of the Tamils.

Specifically, the Government wants to acquire patrol boats and helicopters for guarding its northern coast against what it says is the shuttling of arms and guerrillas across the narrow Palk Strait from South India.

Although the Tamils form about 15 per cent of the population of Sri Lanka, they have links of history and kinship with 50m Tamils in Tamil Nadu state in south India.

The Indian government has consistently denied it has actively supported the Tamil guerrillas in Sri Lanka. It is nevertheless, understood to be concerned that Gen Walters is visiting Sri Lanka.

Iraqi jet hits tanker off Kharg Island

By Kathleen Evans in Abu Dhabi

IRAQ STRUCK at Iranian oil traffic for th e second time in six days yesterday when its air force hit the BT Investor, a 163,000-ton Bahamas-registered vessel, which was sailing in ballast to pick up a cargo at Kharg Island.

There was no loss of life as a missile penetrated the vessel above the water line and destroyed one of its tanks. The supertanker last night was on its way under its own power to Dubai for repair.

The captain of the stricken vessel sent out a distress signal but said that no assistance was required and that there had been no casualties among the crew of 32. The BT Investor is the 59th confirmed shipping victim in the war between Iraq and Iran so far this year.

Iraq again cautioned all international shipping companies against sending vessels to Iranian ports. "All those who deal with the Iranian regime wil have to bear and face the consequences of their attitude," a military spokesman was quoted yesterday by Radio Baghdad.

On Saturady morning a small Kuwaiti vessel was hit by a rocket after being attacked by two Iranian Phantoms in the central sector of th e Gulf about 70 miles north of Oatar.

The ship's motor was knocked out in the raid. No information was immediatelv available about the state of the crew of ten.

The attack was evidently a retaliation for the Iraqui assault on December 3 on the Cyprus-registered Minotaur, the largest vessel so far crippled in the conflict. It is undergoing repairs in Dubai.

Greens keep power-sharing option alive

BY RUPERT CORNWELL IN HAMBURG

THE "PRAGMATIST" wing of West Germany's radical left-wing Greens succeeded this weekend in keeping alive its party's option of power-sharing with the Social Democrats (SPD) in the wake of forthcoming state elections as well as after the next federal election in early 1987.

Even this most tangible result of the Greens annual congress in Hamburg, was only achieved, however, after a bewildering series of votes, which served to underline *how profound and complicated are* the difference between the realists and the so-called "fundamentalists" who want as little truck as possible with the established political order.

The amended motion finally approved by the more than 700 delegates amounts to a compromise whose practical effect is to leave the status quo little changed. Such were its ambiguities that both wings of the Greens could afterward claim a victory of sorts.

Carried by a majority of roughly three to two, the motion rules out for the time being any deal at a national level with the Social Democrats, *whom* standard Green demonology holds to be scarcely distinguishable from the centre-right now in power in West Germany.

Local parties, however, will be left to decide whether and how to collaborate with the SPD in regional or city hall administrations, should possible left-wing coalition majorities be thrown up by future election results.

In addition the "pragmatists" succeeded in putting off a final decision on power sharing in central government in Bonn until much closer to the federal vote, just over two years away.

For the pragmatist or *real politiker* camp, dominated by well-known members of the parliament like Herr Otto Schily and Herr Joschka Fischer, the outcome represents a small but important shift towards acceptance by activists of their thesis that the change the Greens desire can only come about through working within the existing system.

Any success was highly qualified by failures elsewhere – not least the fact that the controversial principle of "rotation" (whereby Green MPs must give up their seats half-way through a legislative term in the in*terests of collegiality) went without* serious challenge.

The voting moreover made clear that the uncompromisingly "purist" slant of the original motion presented by the national executive was much the closest to the true mood of the delegates.

This much was also borne out by the election of six new members of the 11-person executive in accordance with the rotation system.

One to regain his seat, by a triumphant majority, was Herr Rainer Trampert, as fundamentalist as anyone.

The complexion of the reshaped *executive remains overwhelmingly* tilted against dealings of any kind between the Greens and other, more conventional, parties.

Italy puts Malta mission on leave

BY GORDON GRIMA IN VALETTA

ITALY HAS put its 52-man military mission in Malta "on leave" while a dispute over future defence and economic aid arrangements continues with Premier Dom Minto's Government.

The move is intended to avoid what the Italians see as further pin-pricking incidents with the Malta Government, at least until a possible meeting can be arranged between Sr Bettino Craxi, the Italian Premier, and Mr Mintoff.

Premier Dom Mintoff

Italy and Malta are divided over the defence agreement, signed five years ago, which Malta claims has lapsed.

Mr Mintoff, who has now signed a military accord with Libya, also wants Italy to step up its economic contributions and redress trade imbalances.

Relations deteriorated further last week when Mr Mintoff barred the Italian mission from the armed forces garrison at Luqa, its base since 1980.

Sig Giovanni Spadelini, Italy's Defence Minister, has threatened to pull the mission out of Malta unless Maltese "provocation" came to an immediate stop.

The Maltese Government has denied harassing the 5· 'talian soldiers in Malto, who at present are helping to erect a £5m radar station recently donated by Italy.

Dr Carmelo Mifsud Bonnici, Malta's Senior Deputy Premier, yesterday strongly intimated that Malta's row with Italy revolved primarily around the question of trade.

He complained that Italian purchases from Malta this year came up to only M£14m (£24m) as against the M£70m-worth of Maltese imports from Italy.

Italy could best defend Malta by helping it ease its economic problems, he declared.

A treaty between Libya and Malta has been threatened by Mr Mintoff for several years,

Zimbabwe finance minister likely to head Unctad

BY MICHAEL HOLMAN

DR BERNARD CHIDZERO, Zimbabwe's finance minister, is expected to succeed Mr Gamani Corea of Sri Lanka as head of the United Nations Conference on Trade and Development (Unctad).

The announcement is due to bem ade by Mr Javier Perez de Cuellar, the UN Secretary General, next week.

The move comes at a time of increasing criticism by developed countries, led by the U.S., of Unctad's performance.

Established in 1964, it has provided the leading forum for discussion between the developed and developing countries of trade and related issues. Although a succession of major conferences under its auspices have taken place, the last in Belgrade in 1983, little progress has been made in meeting Third World calls for reform.

At the same time, the U.S. in particular has displayed impatience with the body, arguing that it is often biased and impractical in its proposals.

Significantly, the U.S. as well as most Third World countries, is understood to have supported Dr Chidzero's candidacy. A graduate of Ottawa and McGill universities and a senior Unctad official from 1968 until 1980, he won a reputation as a moderate and pragmatic Finance Minister in Zimbabwe's socialist Government.

An Unctad spokesman confirmed that there would be an announcement in New York next Tuesday by Mr Perez de Cuellar. "He is close to a decision regarding Mr Corea's successor," the spokesman said, but would not confirm that Dr Chidzero was the candidate.

He is nevertheless widely expected to take up the post from the summer of 1985.

Israel in talks to purchase French nuclear reactors

BY DAVID LENNON IN TEL AVIV

ISRAEL IS in an advanced stage of negotiation with France over the possibility of buying one or two nuclear power stations, though there are still some questions about the project's economic feasibility.

Mr Shimon Peraes, the Prime Minister, confirmed this on his return from a state visit to Paris last week. The Premier said that the outstanding issues were not political but technical and financial.

The Israeli leader also said that he had received a commitment that France would not provide nuclear reactors with military potential to Arab countries. In 1981 Israel bombed the nuclear reactor in Baghdad which had been supplied to Iraq by France.

A recent report by the Georgetown University Institute for Strategic Studies said that Israel was producing plutonium for weapons and by the end of the century would have built up a reserve of 100 nuclear bombs. The plutonium, the report said, is being produced at the Israel nuclear facility at Dimona, which was supplied by France.

An Israeli technical delegation is due to visit France in the near future to continue the discussions on the possible purchase of two nuclear power plants which are already due to be produced in France but which are not required for French domestic needs.

The Israel Electric Corporation is still unsure whether it is worth building nuclear power stations. The final decision will depend on the price of construction and hence of the electricity generated. Preliminary estimates are that the two stations would cost about $3bn.

Proposals to establish nuclear power stations have been under consideration in Israel since the 1970s. A proposal by the American Westinghouse Corporation fell through because Israel would have had to agree to foreign inspection of the nuclear sites.

Israel has consistently refused to sign the nuclear non-proliferation treaty. The French will not make this a condition of the sale.

U.S. airline is grounded

BY TERRY DODSWORTH IN NEW YORK

THE U.S. air safety authorities grounded yet another small commuter airline over the weekend, alleging safety violations.

The action against American Central, a Mid-Western line based in Waterloo, Iowa, was taken only 48 hours after a fatal crash by an aircraft run by another commuter carrier, Provincetown-Boston Airline.

Provincetown's aircraft were also grounded recently, but the airline had been allowed to resume operations by the Federal Aviation Administration.

Concern over safety on U.S. airlines has gathered pace over the past two years. In February, Mrs Elizabeth Dole, Transportation Secretary, launched an intensive safety inspection of the industry, which has since been followed up by more specific individual investigations.

American Central, which operates a fleet of about 20 aircraft to 23 cities in the Mid-West, including Chicago, has been charged with about 30 safety violations and will be grounded indefinitely.

*The crash of one of Province*town-Boston's fleet of Brazilian-made Embraer, Bendeirante aircraft killed 11 passengers and two crew-members.

The company has removed all its Bandeirante fleet from service for more detailed inspection.

Lebanese Army troops clash with Druze

By Nora Boustany in Beirut

SHELLING of Christian suburb yesterday injured seven people in recurrent hostilities between Druze militiamen and Lebanese Army soldiers, and highlighted continued Druze opposition to a Government security plan for the Southern Chouf region.

Shells were fired into suburbs of the Christian half of Beirut from the mountain ridge east of the city, wounding seven people, one of them seriously, according to the Voice of Lebanon, mouthpiece of the Phalange Party.

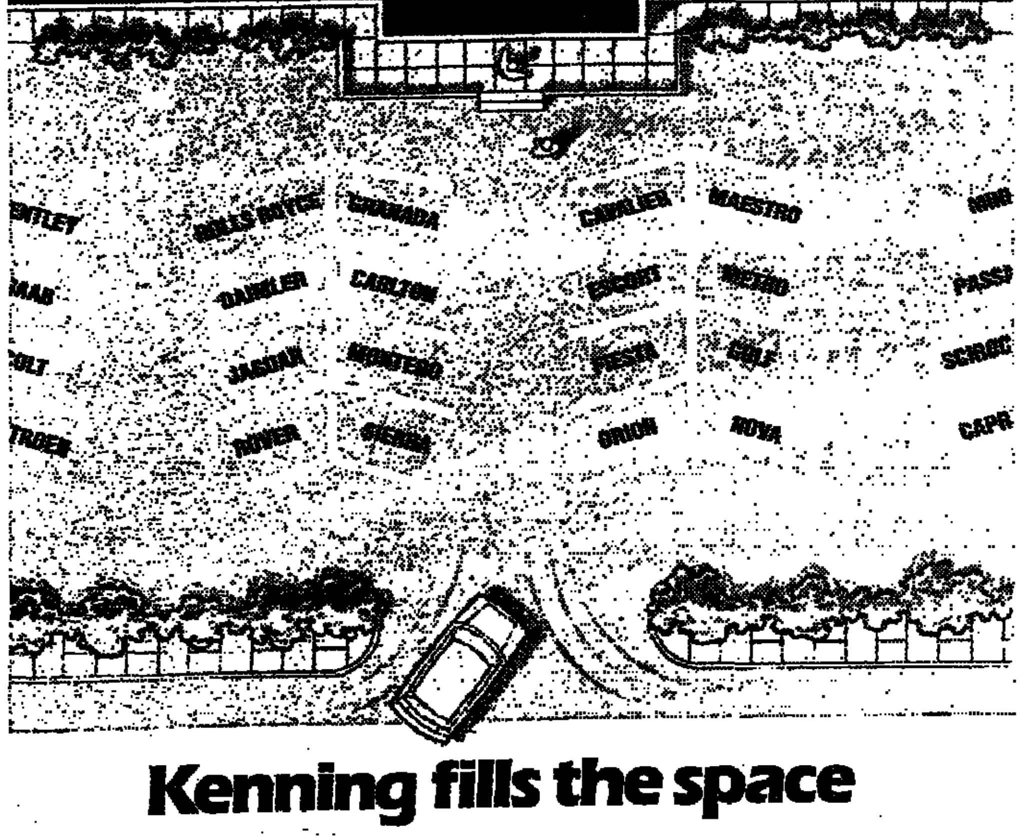
Voice of the Mountains, representing the Druze community, charged that Druze-held villages facing confrontation lines with the Lebanese Army came under fire.

The battle followed Druze objections to a Government plan for the deployment of some 1,200 soldiers in Iqlim Al-Kharroub, the southern tip of the Chouf Mountains which runs down to a strategic coastal highway

The envisioned Lebanese Army security plan is aimed at pacifying the Kharroub

It is also meant to show that the Lebanese Army can hold its ground as a prelude to wider security missions in the south, once the 12,000-man Israeli force withdraws.

From chairman to car pool...



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GOOD PEOPLE MAKE GOOD PARTNERS

WORLD TRADE NEWS

Thunder stolen from U.S. mixed credit stand

BY NANCY DUNNE IN WASHINGTON

THANKS TO Mr David Stockman, the U.S. budget director, the U.S. Export-Import Bank is riding towards a showdown on mixed credits this week in Paris like a gunslinger with wet ammunition.

All year long the Bank has been under increasing pressure from Congress and the business community to offer more financing with the lure of low-cost aid money attached. Instead, the Exim bank has worked for an agreement within the Organisation for Economic Co-operation and Development (OECD) for limits on the use of mixed credits.

But settlement has been blocked by France, with some backing from Italy, and Eximbank directors are now going into the OECD meeting armed with a reported recommendation from a Presidential committee for the establishment of a $500m to $1bn "war chest" to be used to support low cost backing for U.S. exports if negotiations fail.

Last Thursday it was learned, however, that Mr Stockman had recommended a cut-off of the Exim bank's direct loan financing in fiscal 1986. This kind of budget slashing would severely limit or annul the Bank's ability to counter "predatory" mixed credits.

While Congress, backed by business, is sure to resist the direct loan cut-off, the proposal still leaves Mr William Draper, the Eximbank chairman, fighting to raise the concessional aid component in mixed credit packages to at least 50 per cent with one hand tied behind his back.

Since 1983, when Congress ordered the Bank and the Agency for International Development (AID) to set up a mixed credits programme, both agencies, with their eyes on their budgets, moved slowly in the hope that a negotiated settlement within the OECD on limiting the use of mixed credits would make action unnecessary. Finally forced to act, Exim produced several concessionary financing offers, mostly to counter French bids, and the two agencies together put in a mixed credits bid in support of a General Electric sale of locomotives to Botswanna.

To say that these offers were reluctant is an understatement.

In announcing an availability of concessionary credit for a telecommunications project in Cyprus, Mr Draper blasted the French use of foreign aid funds in a competing bid as "a gross distortion of both trade and aid."

"Our action is defensive," he said. "We intend to give the American company a fair chance to compete on the traditional market factors of price and performance."

He likened the French use of aid funds for the sale of a satellite communications earth station to "using famine relief funds to buy Paté de foire gras and champagne."

Mr Draper and other Exim bank officials argue that mixed credits are robbing development projects and poor countries of badly needed funds. "Peer pressure," forces the Western democracies to budget funds for development, says Mr Draper. "But they don't mind reaching into the aid barrel for their own job support programmes."

Meanwhile, the Bank has been under attack from U.S. industry for not matching mixed credit offers around the world. Two surveys conducted this year—by the National Association of Manufacturers (NAM) and the Coalition for Employment Through Exports (CETE) —concluded that U.S. firms are seeking financing throuh their overseas subsidiaries rather than through the Eximbank.

The CETE study of over 20 U.S. companies identified 28 separate projects, worth $7bn, not taken to the Bank for assistance because of the widespread belief that financing to match competing foreign mixed credit offers was either unavailable or uncompetitive.

Mr Robert Cornell, deputy assistant treasury secretary, said Administration officials are "reaching the end of our rope" on mixed credits. However Congress must act, he added, if the U.S. is to retaliate.

Congress does, in fact, seem prepared to act. The Senate Banking Committee is planning hearings next month to compare the Eximbank's competitiveness with foreign financing facilities, and legislators, concerned about the anticipated $130bn U.S. trade deficit, seem willing to finance a mixed credit war, despite budget constraints.

The Eximbank, stung by industry criticism when its charter came up for renewal in 1983, has moved on many fronts to increase its competitiveness. It is pushing its support for small exporters, expanding lending, and offering new guarantees.

Preliminary figures for fiscal 1984 indicate a sharp increase in direct lending to $1.47bn. It would need $3.85bn to fight a mixed credit battle in fiscal 1985.

"Eximbank has improved in a lot of ways," says Mr Willard Berry, executive director of CETE. "The tragedy of the Bank is that, increasingly, mixed credits are making a lot of its activity irrelevant."

UK backing for Airbus sale undecided

THE BRITISH Government is unlikely to provide a subsidy for the sale of Tornade airoption for seven A-310 Aircraft to Turkey. But Ministers have so far not reached any decision about the extent of Export Credits Guarantee Department support for the sale of Airbuses to Turkey and Tornados to Saudi Arabia, Peter Riddell, Political Editor, writes.

Mr Paul Channon, the Minister for Trade, will be qustioned about the Government's attitude to such deals when he appears before the cross-party Trade and Industry Committee of the Commons on Wednesday.

Some Tory MPs, particularly those representing constituencies with British Aerospace factories, are critical of the Treasury for its attitude to these deals. They argue that Britain should be prepared to offer the type of credit deal being made available by other countries in order to secure these orders for Britain.

The Treasury has been reluctant to allow the ECGD to take a large percentage of the risk on the sale of Tornados to Turkey.

However, the issue of ECGD backing for the two other orders is still unresolved. Turkey announced at the end of October an order for seven A-310 Airbuses and took an option on a further seven from the consortium in which British Aerospace participates.

CAAC seeks training pact with Cathay

By David Dodwell in Hong Kong

CAAC, Communist China's national airline, plans to open talks early next year with Cathay Pacific, Hong Kong's flag carrier, on the training of cabin staff, and on flight servicing, a CAAC official said in Peking at the weekend.

The statement comes just a month after Peking announced a radical reorganisation of its civil avaiation system, aimed at eliminating a notorious reputation for inefficiency, mismanagement and red tape. This will involve breaking up the Civil Aviation Administration of China into five independent airline companies.

Li Shufan, director of the Department of International Affairs in Peking, said on Saturday that CAAC was keen to cooperate with Cathay Pacific. He commented that the imminent signing of the Sino-British joint declaration on Hong Kong, under which China will regain sovereignty of the territory after 1997, "cleared away a lot of problems"

Speculation that CAAC was negotiating to buy up to 50 per cent of Cathay Pacific, which emerged during the last stages of negotiation of the Sino-British agreement, aroused serious concern in Hong Kong in September. Swire Pacific, the British group which controls Cathay, insists that no such negotiations have taken place.

Whitehall demands threaten £20bn Norwegian gas deal

BY DOMINIC LAWSON IN LONDON

NORWAY is threatening to abandon plans to sell gas worth £20bn ($24bn) to the UK from the North Sea's Sleipner field if, by the end of the year, the British Government does not state its intention to buy the gas.

Meetings to be held over the next two weeks will involve representatives of the two countries, and negotiators from the British Gas Corporation and Statoil, the Norwegian state oil company which operates the field.

British Gas and Statoil agreed an amended commercial deal after the UK Government asked for changes to be made to the original. The gas will now cost $40.10 per million British Thermal Units (BTUs). Peak supply of Sleipner gas in the late 1990s will be 32bn cubic metres, not the 39bn to 42bn called for in the original draft contract

Statoil has also agreed with British Gas that the dry gas pipeline be 40 inches in diameter, so that additional linked supplies from future northerly UK gas fields can be accomodated.

Final ratification of the deal – which would be the largest single UK foreign trade deal – is being delayed by two UK Government demands, however.

The UK wants gas liquids from the field to go by UK-owned pipeline to Flotta, in the Orkneys, Scotland, rather than to Teesside, North-east England, through a Norwegian pipeline.

It seems that the two governments are close to a solution of the dispute whereby the liquids would go to Teesside and Norway would remit a large proportion of its tax revenues to the UK Exchequer.

The other British demand is that UK industry gets full and fair opportunity to tender for contracts for development of the Sleipner field.

Norway says that it will give that opportunity to the British and that UK bidders will be treated equally with Norwegian bidders. It has refused a UK demand that it be guaranteed 80 per cent of the value of all Sleipner orders. It has also refused the UK's request that the Department of Energy's Offshore Supplies Office be allowed to see the documentation of all bids for Sleipner work.

This last point is the most important difference between the two sides.

Brazilian car maker close to $630m deal with Iraq

BY ANN CHARTERS IN SAO PAULO

VOLKSWAGEN do Brasil is close to completing a complicated $630m triangular countertrade agreement with Iraq which includes the sale of passenger cars in return for petroleum to sell to Petrobras, Brazil's state oil company.

In order to reach agreement, the Brazilian car manufacturer has agred to transport by land 25,000 barrels of oil a day from Iraqui oilfields to the Jordanian port of Aqaba where it will be stored in a floating terminal until it is sold to Petrobras.

Sr Wolfgang Sauer, the president of Volkswagen in Brazil, said at the weekend that the company is negotiating with the Jordanian Government for permission to instal the oil storage terminal.

Volkswagen plans to open bids on a sub-contract for the transport of the oil as well as the installation of the oi lterminal. Several companies specialised in the field have discussed the project.

Negotiations have been drawn out because of the number of companies and governments involved.

VW expects the deal to go forward because of its unique features. The countertrade is attractive to Iraq since it will have a market for some of its oil at official market prices in exchange for 100,000 medium-sized passenger cars. VW do Brasil will increase its car exports and Petrobras will buy petroleum at the official market price calculated in dollars, but will pay VW do Brasil in cruizeiros. Petrobras will thereby save foreign exchange.

The contract is expected to run for two years.

VW is also participating in another counter-trade agreement between Nigeria and Cotia, a leading Brazilian trading company. The contract, on a government to government basis, calls for the exchange of $700m in Brazilian products for Nigerian crude oil, amounting to 40,000 barrels a day.

VW expects to export 50,000 passenger cars valued at $200m to Nigeria next year under this agreement. The trade transaction will go through a clearin gaccount in the New York branch of the Banco do Brasil.

U.S. inquiry into Swedish computer sale to Czechs

BY DAVID BROWN IN STOCKHOLM

ASEA, the Swedish electrical engineering and electronics group, is under investigation by U.S. trade authorities for suspected circumvention of American high technology export restrictions.

This is the latest in a number of cases involving Swedish companies which have attracted attention in connection with U.S. embargoes on the export of high technology goods to Eastern Bloc nations.

Asea confirmed last week that it signed a contract in the early 1980s to provide equipment for a Czechoslovak steel factory. The deal included delivery of three U.S. Digital Equipment PDP-11 computers, but with the proviso that they would not be shipped if they ran afoul of U.S. high technology embargoes.

Asea ordered the computers to fulfil the Czech contract, but on their receipt the company was told they were subject to U.S. restrictions and that no U.S. export licences would be provided.

Because they could not be included in the deal, Asea then sold the computers to the Swedish Sunitron Company. According to Swedish Customs and Police Inspectors, the computers were subsequently shipped to Czechoslovakia with the help of a former Asea official. The official is now the target of a criminal investigation for tax fraud in a related case, says the Stockholm Prosecutor's office.

Asea is circumspect about how the case came to the attention of the U.S. authorities. But both Asea in Stockholm and a U.S. Commerce Department official in Washington confirmed that an investigation is under way.

SHIPPING REPORT

Gulf activity slows again

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE ATTACK on the Minotaur in the Gulf last week as she was proceeding to Iran's Kharg Island terminal dampened the willingness of shipowners to venture too far in the region. So, while the previous week had seen an increase in big tankers going into the Gulf, last week's activity was limited.

The attack on the Minotaur, a ULCC (Ultra Large Crude Carrier) of 386,000 dead weight tons, was the first incident arising out of the Iran-Iraq war to affect shipping since mid-October.

Galbraith's said the only significant fixture from the southern Gulf terminal was the 268,000 dwt Primrose, a Japanese ship which was chartered to take a part cargo of 227,000 tons to Taiwan at worldscale 27½.

Tanker activity was lower in general during the week. Rates from West Africa showed a drop, though there was a fair amount of inquiry.

French charterers took a 75,000 ton cargo at worldscale 55 against the worldscale 57½ paid from Spain a week before for 100,000 tons.

Dry cargo markets saw further Soviet and Chinese fixing of ships for grain imports. The Russians are now estimated to have taken more than 200 ships since July.

Despite recent healthier trends in the grain, iron ore and coal trades, brokers Simpson Spence and Young pointed to the present and future oversupply of tonnage.

WORLD ECONOMIC INDICATORS

FOREIGN EXCHANGE RESERVES (U.S.$m)

	Oct. '84	Sept. '84	Aug. '84	Oct. '83
U.S.	6,317	6,036	6,190	6,952
Japan	21,712	21,436	21,266	20,444
W. Germany	35,954	35,722	38,416	38,279
UK	6,798	6,621	6,939	8,967
UK	6,798	6,621	6,939	8,967
Italy	18,746	18,389	19,035	17,747
Netherlands	8,121	8,153	8,417	8,730
Belgium	3,905	3,692	3,258	3,937
	Sept. '84	Aug. '84	July '84	Sept. '83
France	20,278	20,215	20,058	18,631

Source: IMF

AUSTIN ROVER

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DELIVERING MORE SPACE, MORE WEIGHT.

HOW MUCH MORE SPACE AND WEIGHT?

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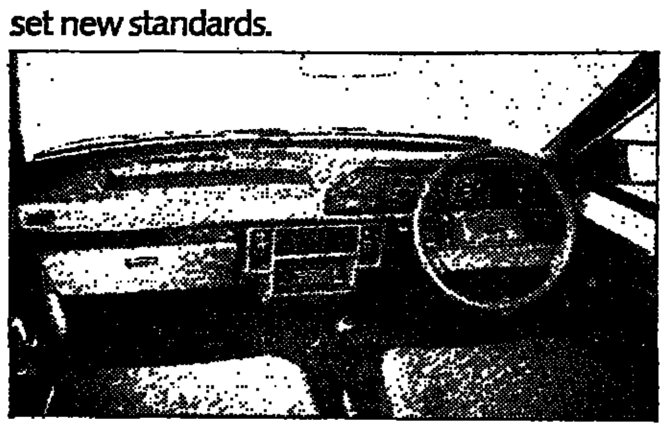


AUSTIN MAESTRO L VAN INTERIOR.

Here is a range that offers bigger payloads, 500 and 700 kg, and more space with over 85 cu.ft.* of usable load space.

HOW ABOUT THE DRIVER?

The driver gets plenty of attention too, with the comfort, equipment and handling usually reserved for passenger cars. Handling brought about by the benefits of front wheel drive. As for economy, the Austin skill at delivering more miles per gallon produces car-like figures. The 500 kg delivers 45 mpg at 56 mph and offers the added attraction of being able to run on 2 star fuel with the low compression engine option. And the 700 kg version sharing the 1.3 litre power unit boasts impressive economy too.

WHAT ABOUT PRICE?

The fact is although each Maestro van can carry more than its closest rival, they actually cost a little less. With a range that starts at £4,599.

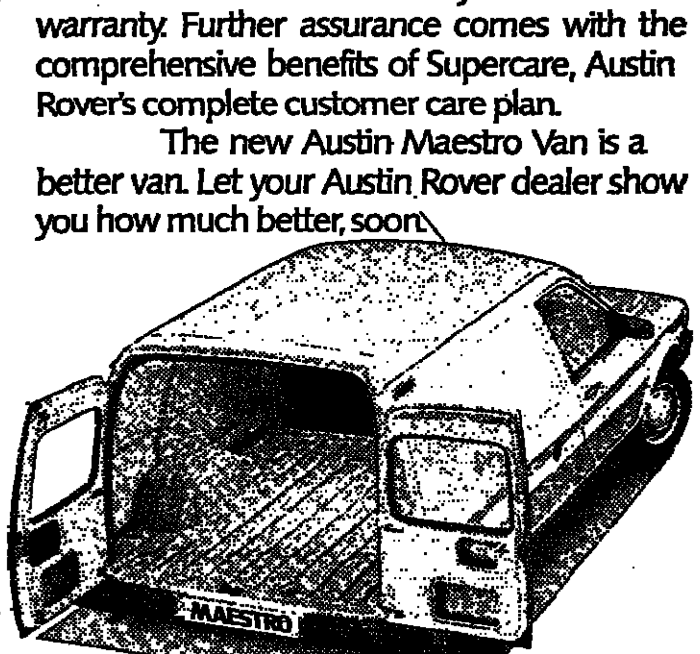
HOW ABOUT SOME DETAIL?

Being truly purpose built, the Austin Maestro Van is better, right down to the last detail. Details like those heavy steel bumpers and securely recessed headlamps, like the payload doors opening through 180° and closing with slam locks. A large flat pay-load floor with recessed anchor points and flat-top wheel arches.

And there's a choice of Maestro City models, or even more specification and comfort on the 'L' model.

Maestro Van is built to last, using the same paint protection process that qualifies Austin Rover cars for their 6 year corrosion warranty. Further assurance comes with the comprehensive benefits of Supercare, Austin Rover's complete customer care plan.

The new Austin Maestro Van is a better van. Let your Austin Rover dealer show you how much better, soon.



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FROM £4,599 TO £5,347.

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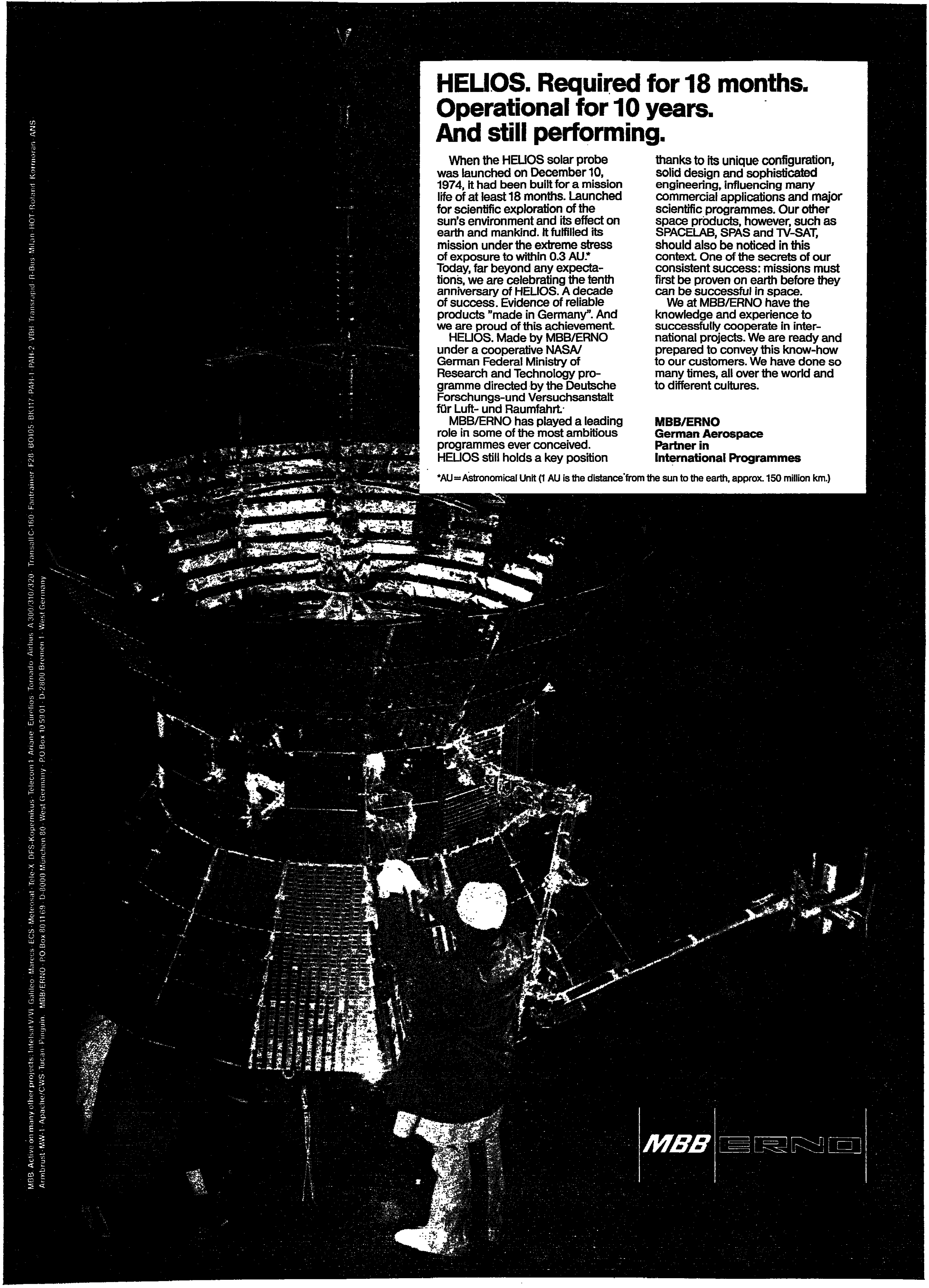
Manufacturer's figs. Maestro 500 H.C. simulated urban cycle 35.2 mpg (8.0L/100 km), constant 56 mph 45.7 mpg (6.2L/100 km), constant 75 mph 32.3 mpg (8.7L/100 km). *Manufacturer's data. Price correct at time of going to press and excludes number plates and delivery. Model shown Maestro 700L at £5347.



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*AU = Astronomical Unit (1 AU is the distance from the sun to the earth, approx. 150 million km.)

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FACT 450 domestic branches
FACT 29 affiliated banks and companies
FACT Total assets: $ 15.634m. DEC 31 1983
FACT Total deposits: $ 10.809m. DEC 31 1983
FACT Among the largest banks in the world
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UK NEWS

DEFENCE DEAL GIVES GROUP ITS LARGEST SINGLE CONTRACT

Thorn EMI wins £85m order

BY LYNTON MCLAIN

THORN EMI Electronics, defence systems division, has won an £85m order from the Ministry of Defence (MoD) to start quantity production of the company's electronic multi-role artillery fuze for the British army.

The multi-role fuze is a new type of artillery device. It can be programmed electronically before a shell is fired to either detonate on impact or in the air at three different heights over the target. The fuze is also resistant to electronic warfare by an enemy that can cause shells to explode prematurely.

It is the biggest single order secured by any company in the Thorn EMI group. It is also the biggest single contract ever placed by the MoD for weapon fuzes and will give Thorn work for four years, with the possibility of follow-on orders, as the army standardises on the new L116 multi-role fuze.

The army contract for shell fuzes brings to £101m the value of work on weapon fuzes won by the company this year. That compares with the total turnover of £267m for the electronics company in the year to the end of March, out of a Thorn EMI group sales of £2.8bn.

The contract highlights Thorn EMI Electronics as the leading private-sector manufacturer of weapon fuzes in the UK, rivalled in Europe mainly by Thomson-CSF, the French state-owned defence electronics company.

Royal Ordnance factories in Britain – the state-owned munitions works – also make fuzes. Those factories, which are soon to be privatised, worked in collaboration with Thorn EMI on the design and development of the electronic multi-role fuze for the army.

Production of the fuze is to be divided between the Thorn EMI Electronics factory at Hayes, west of London, and at the Royal Ordnance factory at Blackburn, in Lancashire.

Other fuze production contracts won by Thorn this year include the £4m order to supply the proximity fuzes for British Aerospace's Alarm anti-radiation missile.

The company is also to design the fuzes for the terminal guidance warhead for the multi-launch rocket system project, under a £15m initial contract announced by the U.S. Army at the end of November.

Thatcher faces unrest among Tory members

By Peter Riddell, Political Editor

THE GOVERNMENT faces further unrest this week among Conservative MPs over a series of controversial measures.

Protests are likely over the rate support grant settlement for 1985–86, the EEC budget, the extension of Stansted airport in Essex and the future government of London.

In addition, Tory backbenchers have been co-ordinating their opposition to various tax-raising proposals, such as the extension of value added tax and the taxing of pensions, which Mr Nigel Lawson, the Chancellor of the Exchequer, is considering including in the spring budget.

Some ministers are worried that, following last week's change of policy over student grants and fees, these pressures may limit the Government's freedom to cut public spending and to extend the tax net. There is also growing backbench pressure for additional public capital investment rather than tax cuts.

Mrs Thatcher will attempt to reassure doubters and restate the Government's strategy when she attends the 1922 committee of backbenchers on Thursday evening.

Her remarks will come a few hours before the result of the by-election at Southgate in north London.

A Harris opinion poll in yesterday's Observer put the Tories well ahead at 52 per cent

Senior union leaders to press for coal peace initiative

BY JOHN LLOYD, INDUSTRIAL EDITOR

SENIOR TRADES Union Congress (TUC) leaders are this week set to propose that they meet the Government as soon as possible to press for a resumption of talks aimed at settling the nine-month-old miners' dispute.

The seven union leaders who form the liaison committee with the leadership of the National Union of Mineworkers (NUM) will meet earlier this week, possibly today or tomorrow, to agree a strategy to be recommended to the finance and general purposes committee (the TUC inner cabinet) either at a special meeting later this week or at its routine meeting a week today.

They are likely to press ahead with an urgent request to meet either Mr Peter Walker, the Energy Secretary, or the Prime Minister or both – whether or not the NUM leaders show any sign that they are prepared to be more flexible over the issue of the closure of uneconomic pits than they have until now.

A number of the TUC leaders believe that they should be seen to be taking an independent, middle-of-the-road position calling for compromises from both sides. However, others believe that the NUM showed in the meeting it had with the TUC seven, last Thursday, that they were prepared to shift from a policy of absolute opposition to economic closure.

It is recognised that if the TUC does approach the Government, the first question will be – has the NUM shifted its position?

Mr Ian MacGregor, the NCB chairman, has continually stressed – most recently in a letter to Mr Stan Orme, Labour's energy spokesman, last week – that only a clear sign from the NUM that it is willing to negotiate on the basis of the settlement achieved between the NCB and the pit deputies union Nacods will suffice for a re-opening of talks.

Fear of a rebuff from the Government, however, is now less pronounced among the union leaders than the urgent realisation that there are only 14 negotiating days left to Christmas, and that some form of initiative should be got off the ground before then.

Pits 'need to cut 20,000 jobs'

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

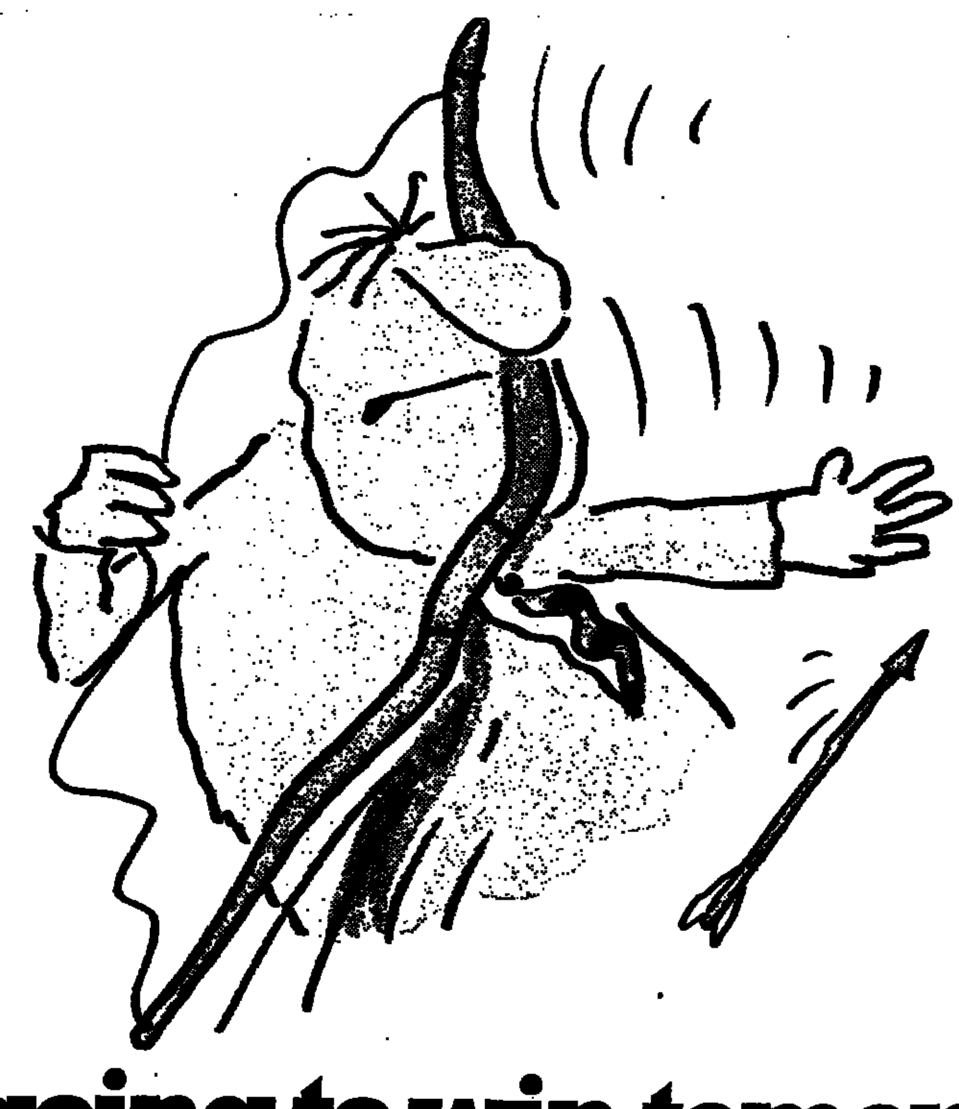
THE COAL mining industry would need to shed about 20,000 of the present 180,000 mineworkers' jobs to become profitable, the London Business School says in a paper published today.

Dr Bill Robinson, of the school's Centre for Economic Forecasting, emphasises, however, that profitable employment in future depends crucially on how miners' wages move relative to the price of coal.

On some assumptions, with a 10 per cent rise in both coal prices and productivity, the National Coal Board (NCB) would be able to keep open all present pits without incurring overall losses.

At the other extreme, however, with a 10 per cent fall in both coal prices and productivity, employment in the industry would have to fall by 40 per cent to enable the industry as a whole to break even.

If the NCB were to insist that every pit should be profitable, it would be able to employ only 60,000 men at current wage and price levels, Dr Robinson estimates. Even under his most favourable assumptions about the movement of costs and productivity, the NCB would be able to employ only about half its present workforce if every pit were required to make a profit.



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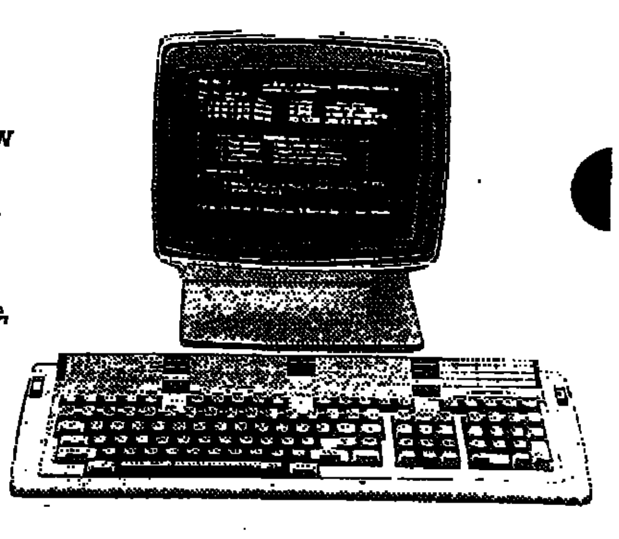


Data General. a Generation ahead.

Thatcher keener on plan for cross-Channel link

BY PETER RIDDELL, POLITICAL EDITOR

MRS MARGARET THATCHER, the Prime Minister, has become more personally enthusiastic about the proposed cross-Channel link, but the Government has still to be convinced about the commercial viability of the project before giving its approval.

An Anglo-French working party was set up last month to report by next spring on the financial and technical requirements which schemes will be expected to satisfy.

A significant recent development is that Mrs Thatcher has been persuaded to back the project after what is described as a "sea change" in her attitude. This was reflected in the talks she had with President François Mitterrand during her visit to France 10 days ago.

The British Government, like the French, will only provide assurances about the political framework to allow a scheme to go ahead and will not give financial guarantees. Hence any tunnel, bridge or combination of these, must be financed entirely from the private sector, although the two governments may have to pay for connecting road and rail links at both ends.

A series of different schemes has been put forward, and even after the Anglo-French working party has reported on the legal and technical problems, the two governments will not make a choice until they are satisfied that the necessary private sector financial backing is available.

A treaty between Britain and France is likely to be necessary at some stage as a political guarantee.

An accord was signed in London last Thursday between a consortium of British and French bankers and industrialists known as Euroroute, which has proposed a combination of a motorway and rail link with a bridge and a tunnel.

Pearson joins contributors to Alliance parties

By Peter Riddell, Political Editor

S. PEARSON, the industrial, banking and publishing group that owns the Financial Times, has decided to make contributions to the Alliance formed by the Social Democratic Party (SDP) and the Liberals, in addition to its support for the Conservative Party.

The decision highlights a growing trend among large British public companies to make small donations to the Alliance parties, alongside larger contributions to the Tories.

Pearson will contribute £10,000 in total to the Alliance, to be split equally between the SDP and the Liberals. This is at the upper end of corporate donations to the parties.

The group will also continue to back the Conservatives on a substantial scale; last year it donated £20,000 to them.

Other corporate donors to the Alliance in the last two years include Commercial Union, General Accident and Norwich Union in the insurance sector, as well as Tate and Lyle, John Swire and Morgan Crucible. All have also given to the Tories on a larger scale.

The Pearson move also comes as both the SDP and the Liberals are intensifying their attempts at fund-raising from the corporate sector. They have argued that Labour's current problems mean that the Alliance is the only alternative to the Tories acceptable to the business community.

Jaguar discounts under fair trading scrutiny

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE OFFICE of Fair Trading (OFT) is looking into complaints that Jaguar is limiting the discounts dealers may give on its luxury cars.

This would contravene the terms of the Resale Prices Act, 1976, which permits manufacturers to recommend retail prices but not to fix them.

Jaguar yesterday insisted it was doing nothing of the sort, but made it clear that it welcomed the news that its dealers were resisting pressure to give large discounts at a time when demand was very high.

Since Jaguar was returned to the private sector by its state-owned former parent BL, large fleet customers have not apparently been able to obtain the big discounts on cars they had been accustomed to.

There have been suggestions that dealers who offered discounts of more than 10 per cent have been "punished" by Jaguar by having their allocation of cars cut.

Jaguar says, however: "It is totally untrue that we have a penal policy operating between ourselves and our dealers. But we see no reason for discounting a range of luxury cars which are very competitively priced and for which there is a growing demand."

Jaguar sales in the UK rose in the first nine months of this year by 9 per cent.

Lower sales at Volvo

BY OUR MOTOR INDUSTRY CORRESPONDENT

VOLVO CONCESSIONAIRES, the Lex Service group subsidiary that imports Volvo cars to Britain, chose to accept a drop in volume sales this year rather than become embroiled in a price discount war, according to Mr Peter Turnbull, its chief executive.

The drop in volume, from 61,500 cars in 1983 to an estimated 59,500 this year, would have only a marginal effect on profit, he added. In 1983 the company recorded a net profit of £13.68m on sales of £314.4m, up from £10m on sales of £246.23m the previous year.

He forecast that in 1985 Volvo car sales would reach about 61,000. "While UK prices remain higher than average, and the six major European countries continue to fight for European market domination, the UK will remain a major battleground," he said.

Next year the company will start what it claims is the first bonus scheme for dealers based entirely on "customer care" standards rather than on the sale of cars.

Price of PVC will rise by up to 15%

POLYVINYL Chloride (PVC) made by Imperial Chemical Industries (ICI) is to go up in price by 12 to 15 per cent next month in an attempt to reverse an erosion of commodity petrochemicals prices in recent months.

After a strong recovery late last year and early this year, commodity petrochemical prices have been slipping in Europe, leading many analysts to believe that another damaging price war has broken out.

The reasons for the price weakness are believed to be the over capacity of chemical production facilities and the arrival of new competition in the sector from Saudi Arabia's petrochemical plants. Saudi Arabia, however, does not make PVC.

ICI said yesterday that it was "concerned by the instability and erosion of prices." It said the new levels for PVC, of £470 a tonne, would take prices back to the levels of early summer. PVC prices peaked at £500 in March. ICI estimates that European over-capacity in PVC is about 30 per cent.

□ A £7.5m joint EEC-Welsh Office aid scheme to help small businesses set up and/or expand in steel closure areas of Wales was announced by Mr Nicholas Edwards, Welsh Secretary of State, at the weekend.

The scheme forms part of a £100m special aid programme from the European Regional Development Fund and the Government towards tackling the effects of decline in UK steel shipbuilding and textile areas.

□ **DIETARY** trends away from eating red meat in the UK appear to be accelerating. The Ministry of Agriculture's latest food survey shows that in the third quarter of this year consumption of red carcase meat was 8 per cent down on the same period last year. Consumption of poultry, however, was 9 per cent higher.

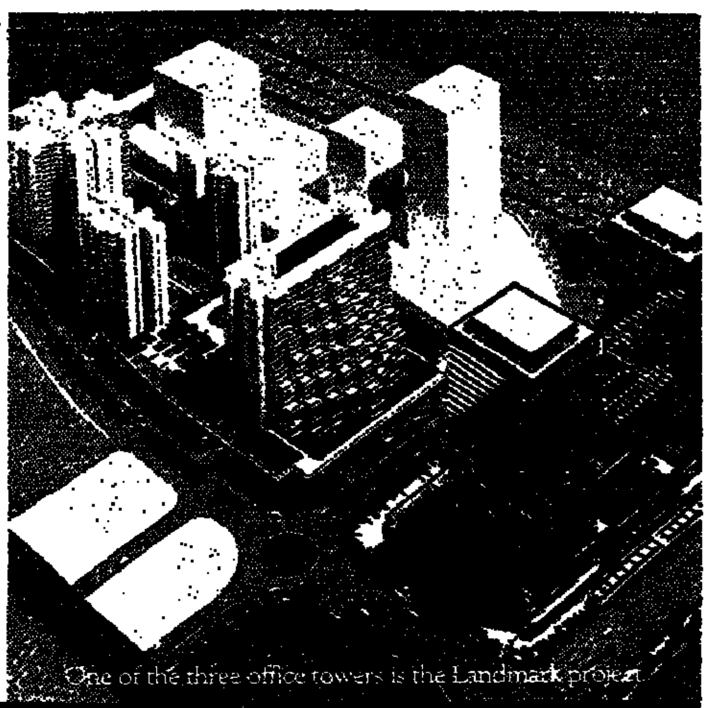
□ **WESTLAND**, the UK helicopter manufacturer, has joined British Aerospace and Sea Containers to offer merchants ships the ability to use helicopters at sea.

The aim is to convert part of the deck of any merchant ship to enable a helicopter to land and take off, either while the ship is in dock, or at sea, for both civil and military purposes.

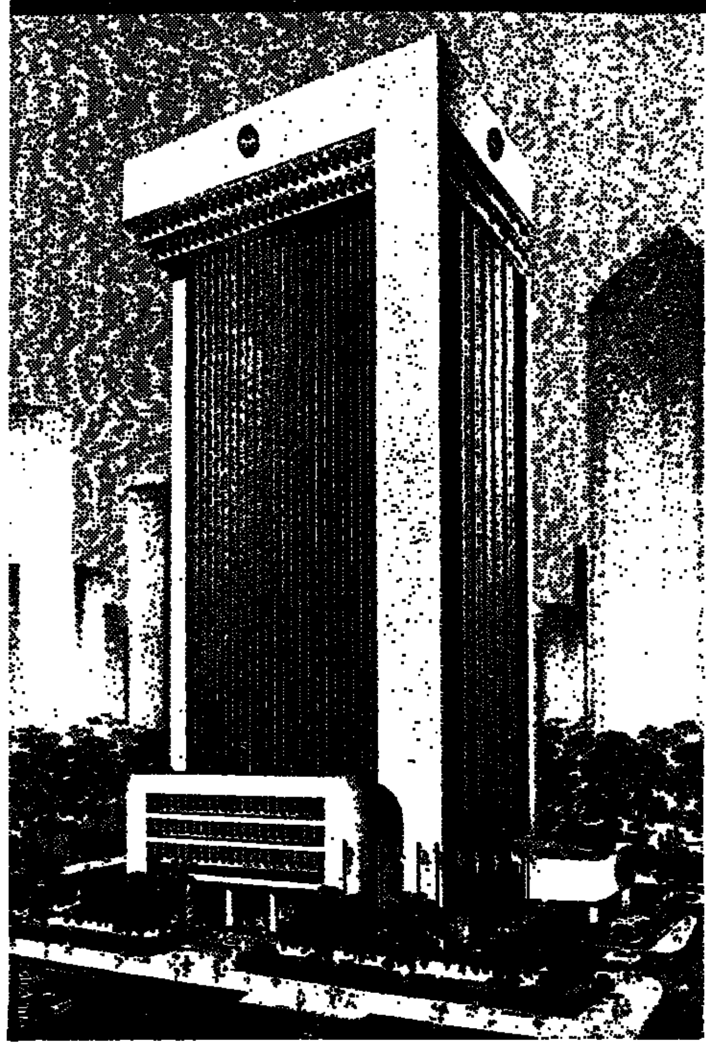

The HF technical manual is yours for the asking.

Light has long resisted cost-effective control. The new Philips High Frequency Electronic Lighting System ends all that. In this fluorescent lighting system, Philips have replaced the usual energy-draining ballast with an electronic circuit... with remarkable results. The Philips HF system slices through costs like a knife. Because it gives the same light for less watts.

In Jakarta, Indonesia, three high-rise office towers will have a required light level of 500 lux average. Using conventional fluorescent lighting, the energy consumption would have been 20 W. per sq m. The Philips HF lighting will produce the same light level with only 10 watts per sq m. The cost-savings from both lighting and air-conditioning/cooling (HF circuits generate less heat) will pay for this installation within two years.


One of the three office towers is the Landmark project.

Imagine... light that slices through costs



The 30-storey Monetary Authority of Singapore building required lighting that could be controlled in energy-costs and in brightness – for both VDU and ledger work. The new Philips HF system provided the solution. Today the MAS is saving 222 000 kWh annually. The building has the most energy-effective commercial lighting in Singapore. It will pay for itself in two years.

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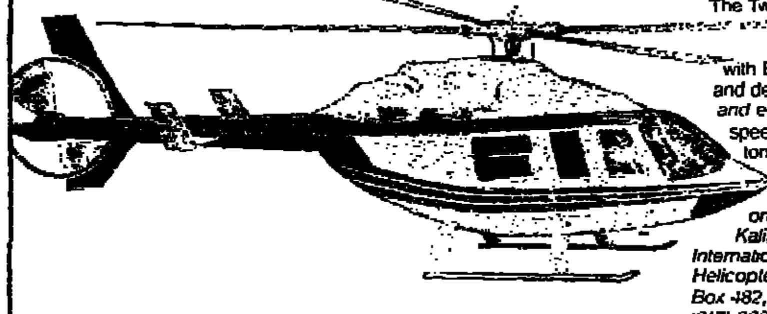

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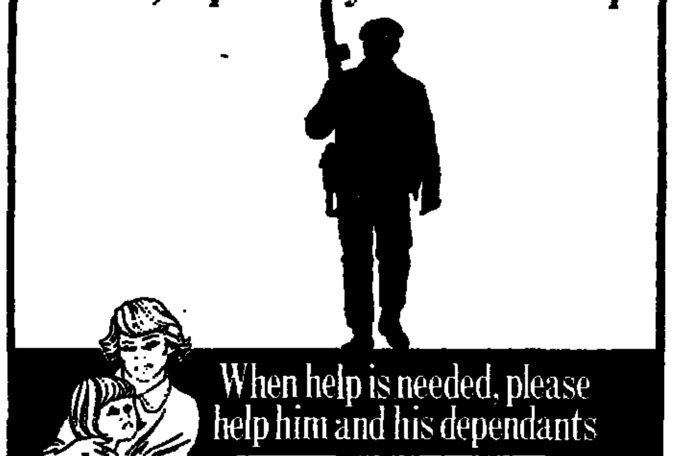

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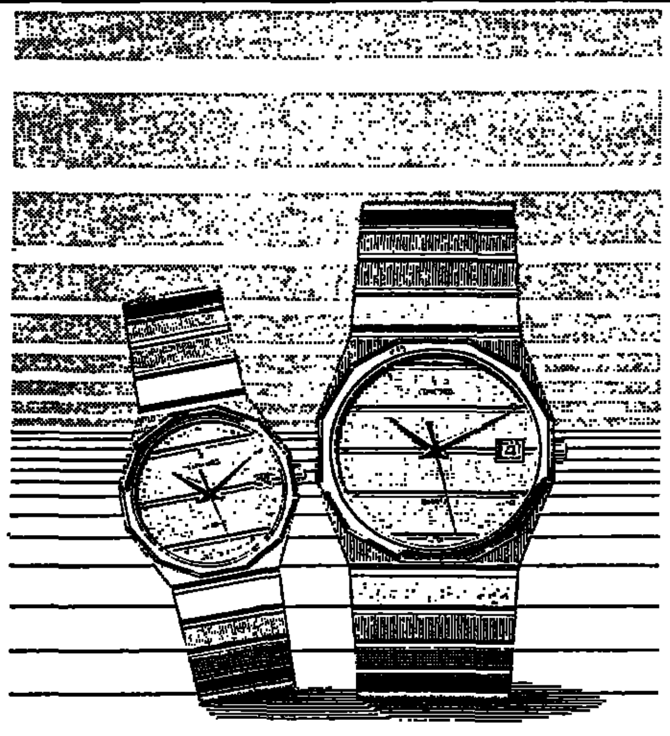

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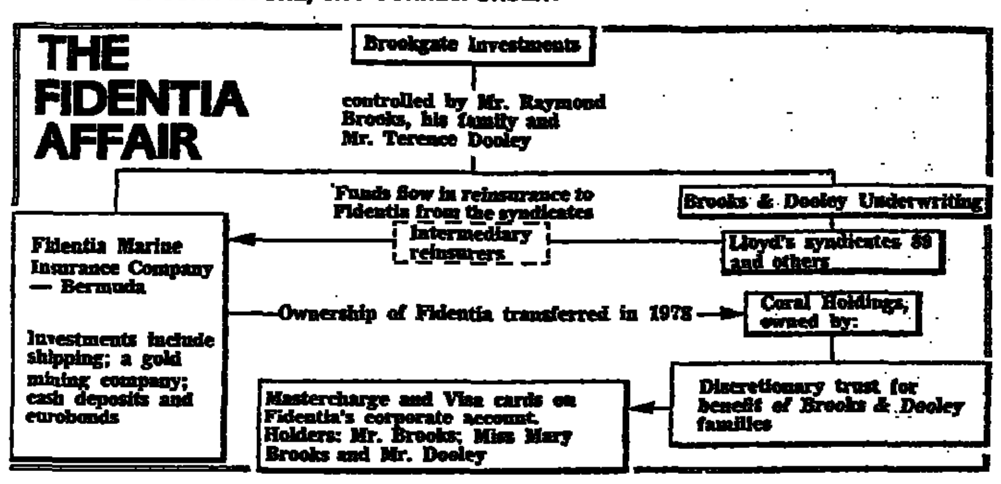
UK NEWS

London insurance market studies Fidentia findings

A test case for Lloyd's

BY JOHN MOORE, CITY CORRESPONDENT



THIS MORNING the 27 members of the ruling council of Lloyd's, the London insurance market, are meeting to consider the findings of a disciplinary committee, and its recommendations, on what has become known in the Lloyd's community as "the Fidentia affair."

For Lloyd's, the matter represents an important test case which could have extensive ramifications for the market and the way it functions. Already, the Fidentia affair has caused fierce argument within the Lloyd's community.

The case was one of a number of serious troubles which hit Lloyd's towards the end of 1982 involving allegations about the way working insurance underwriters used reinsurance companies that they owned.

Since the end of 1982 Lloyd's has been investigating a number of cases where it has been alleged by those having access to the Lloyd's market that money has been improperly diverted by the working underwriters from the funds belonging to the underwriting members of Lloyd's for whom they act.

It has been alleged in a series of cases that money has been channelled from the underwriting members' funds to offshore reinsurance companies owned by the working underwriters for the professional underwriters' personal benefit.

After allegations made in the Lloyd's market, the Lloyd's authorities commissioned an internal investigation by Mr Anthony Colman QC and Mr Stephen Hailey, an accountant with Arthur Andersen, into the relationship of Mr Raymond Brooks and Mr Terence Dooley, who were both managers of eight Lloyd's insurance syndicates, with the Fidentia Marine Insurance Company of Bermuda. This was a company in which Mr Brooks and Mr Dooley were the main shareholders.

The story of the Fidentia affair is detailed in a 231-page report prepared by the investigators. They observed that Mr Raymond Brooks set up a master company in July 1970, called Brookgate Investments, as part of a plan to form a group of companies including an offshore insurance company, an insurance broking company and a Lloyd's managing agency, which runs underwriting syndicates within Lloyd's.

Fidentia Marine Insurance Company was set up by Mr Brooks in the same year primarily to accept business in the form of reinsurance from the Lloyd's insurance syndicates which he managed.

The investigators comment in their report: "The formation of Fidentia was not in breach of any Lloyd's regulation or requirement... at this time the dangers of conflicts of interest were not generally appreciated at Lloyd's."

Between 1970 and 1981 about 75 per cent of Fidentia's premium income derived from business emanating from the Brook's syndicates at Lloyd's.

Over the 13-year period until June 30 1983, according to the investigators, Fidentia could have obtained investment earnings of £8.1m on the business channelled to it by Mr Brooks and his interests. After allowing for underwriting losses of £1.9m there was a net benefit of £6.2m.

The report concluded that reinsurance contracts had been arranged by Mr Brooks and Mr Dooley in a way which would provide financial benefit to Fidentia at the expense of the Lloyd's insurance syndicates which they looked after.

The report details how Mr Brooks apparently disposed of Fidentia in 1978, but in fact retained a direct interest in the company in a scheme devised to remove Fidentia from Mr Brooks' holding company Brookgate Investments.

The ownership was placed with a Bermudian holding company – Coral Holdings – which in turn was owned by a Bermudian discretionary trust.

"The intended purpose of the trust was to enable the Brooks and Dooley families to get the benefit tax free of UK tax of the increased capital value of Fidentia and its profits.

Members of the two families, including Mr Brooks, Mr Dooley, and Mr Brooks' daughter (Miss Mary Brooks) in particular were discretionary objects under the trust," the report says.

Mr Brooks, Mr Dooley and Miss Brooks "held two credit cards each on Fidentia's accounts on which they drew at will and were in effect thereby able to bestow upon themselves gifts under the discretionary trust. Total gifts disclosed to us", say the investigators, were "some $135,000."

Miss Brooks, who said in evidence that she did not know about the trust until the end of 1982 and has not been a party to the central allegations or involved in the disciplinary charges, only used the cards (Mastercharge and Visa) for large items of expenditure such as holidays and had spent $34,222.18. The report says that it was like "a deal from Father Christmas."

Mr Dooley had spent $70,060.64 on personal expenditure as distinct from Fidentia expenses. The investigators observed in their questioning of him that he had spent a lot for 'a man in the street.' According to the report he had replied that "He was not 'a man in the street'."

What has worried the inspectors carrying out the investigation at Lloyd's is that Mr Brooks and Mr Dooley had been less than frank about the transfer of ownership of Fidentia to Coral Holdings and the rather limited disclosures made to the underwriting members of their syndicates, which had omitted to reveal the large investment profits Fidentia had made from the syndicates' reinsurance business.

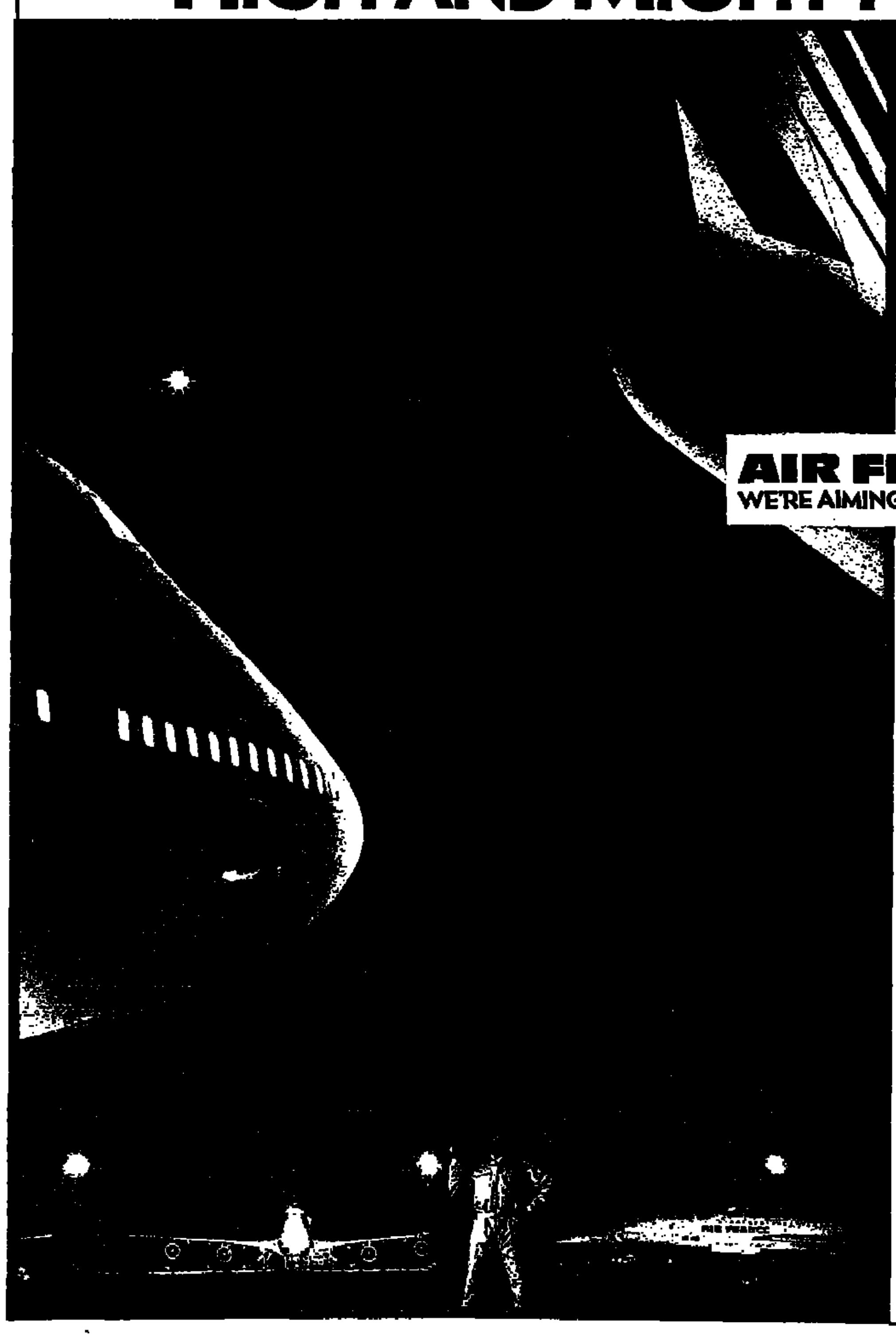
But there are wider issues at stake in the Fidentia matter which could inhibit Lloyd's in the way it performs its disciplinary functions. The Fidentia inspectors observed: "We doubt whether until the last few months more than a handful of those in the market have appreciated that there might be anything remotely wrong in an active underwriter effecting reinsurance of his syndicates with a reinsurance company in which he or those who employed him had an interest."

The inspectors added: "The reality has to be faced that if Mr Brooks and Mr Dooley are to be charged with misconduct even of the least serious kind referred to in the bylaws merely because they had in operation a reinsurance company with which they effected reinsurance of their syndicates and thereby engendered incidental profits, they will be penalised for doing something which we believe for most of the period under investigation would not have been regarded as any kind of misconduct by most of the working members of Lloyd's."

Because conflicts of interest can and do exist in the relationship between syndicates' underwriters and reinsurance companies which they control, the Fidentia investigators said in December 1983 "that as soon as possible Lloyd's should impose a comprehensive prohibition on all future related party reinsurance transactions."

Although this recommendation has been under review Lloyd's has yet to act on this proposal.

HIGH AND MIGHTY



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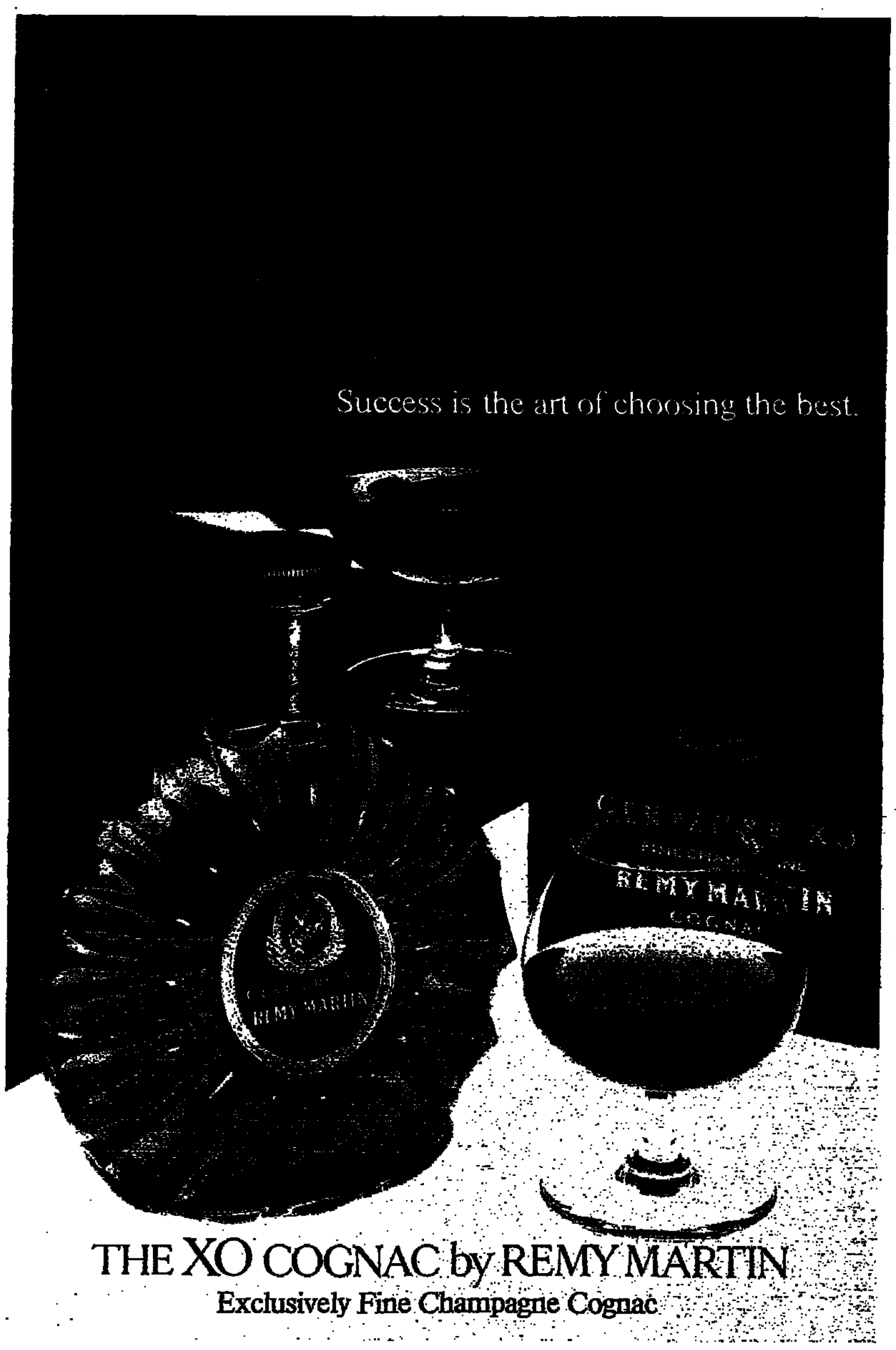

THE XO COGNAC by REMY MARTIN
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Whitehall seeks £1bn office spending cuts

BY SUE CAMERON AND ANDREW TAYLOR

THE GOVERNMENT is expected to find savings of about £1bn if it can end Whitehall's monumental inefficiency in stock management.

The potential saving is enough to cut income tax by one penny or knock 1 percentage point off value-added tax. It is believed to have been uncovered as a result of an investigation by the Government's own efficiency unit into public purchasing.

The unit's report on purchasing is due to be published tomorrow. The report is expected to highlight further possible savings of £500m if Whitehall buyers can also tighten up their procedures.

However, it is thought to be with stock that the main economies could be made. Total government stocks of everything from paper clips to aircraft are now thought to be worth about £7bn.

About £1bn of that could be saved in little more than a year if government departments were forced to "live off their fat," sell or give away old and surplus stocks

Reports of stock mismanagement are beginning to emerge from Whitehall. Among the more startling examples are:

- The Department of Energy is thought to have more than 1,000 years' supply of tabs for files and 15 years' supply of ballpoint pens.
- It is also understood to have 25 years' supply of carbon paper, yet the department has long since given up carbon copies in favour of photocopiers.
- The Department of the Environment is understood to have 120 years' supply of cardboard map holders.
- The Royal Air Force is believed to have 1m tins of Vim cleansing powder.

One of the causes of stock mismanagement is thought to be that Whitehall buyers go for bulk discount pricing and ignore actual costs.

Textile leaders seek aid to meet new Japanese technique

BY ANTHONY MORETON, TEXTILES CORRESPONDENT

THE GOVERNMENT has been urged to put more backing into research and development for the textiles and clothing industries to prevent Britain from slipping further behind important manufacturing developments in Japan and the U.S.

Mr Norman Lamont, Minister for Industry, has been asked for money to co-ordinate the work at present being done in a number of companies, research associations and universities.

"The amount needed would not be very great," Mr Lewis Goodman, chairman of the British Clothing Centre and a main board director of Vantona Viyella, said.

"The minister heard our case sympathetically and promised to give us a reply in the new year. What is needed in the short term is for the work in the various research centres to be co-ordinated. There could be finance available from the EEC, which agreed, in November 1983, to back national projects if national governments first put up some money.

"But in the longer term we shall need to spend some big money on research projects if we are not to be left behind," he said.

The need for a quick decision is seen as urgent because Japan is on the verge of an important development in the production of clothes.

All clothes are at present cut and sewn on flat surfaces. Japan is experimenting with a robotic system that will allow three-dimensional sewing on a model.

The U.S industry, impressed by what the Japanese have been doing, set in motion a multi-million-dollar research programme this autumn called the Draper Project. Some of the biggest U.S. fibre manufacturers, such as Du Pont, are co-operating with it.

The Japanese plan involves spending some £50m over an eight-year period between 1982 and 1989. They are sufficiently far advanced to be envisaging building and operating a test plant for the new equipment between 1988 and 1989.

The importance of the Japanese move is that the money put into textiles and clothing research is only one example of what the country is doing to foster research and development. The Ministry of International Trade and Industry (MITI) is supporting eight such projects covering all industries except energy.

The U.S. has also put much money into research in order that its vast and important market is not eventually dominated by Japanese clothes and Japanese technology.

In the 18 years since Japan started backing through its Large-Scale Projects plan it has put more than £600m of government money into 20 projects.

Last year, after strong pressure from the industry the British Government put up £20m to be spread over five years, to cover new developments in the four sectors of the industry – textiles, clothing, knitting and shoes. That averaged £1m a sector a year.

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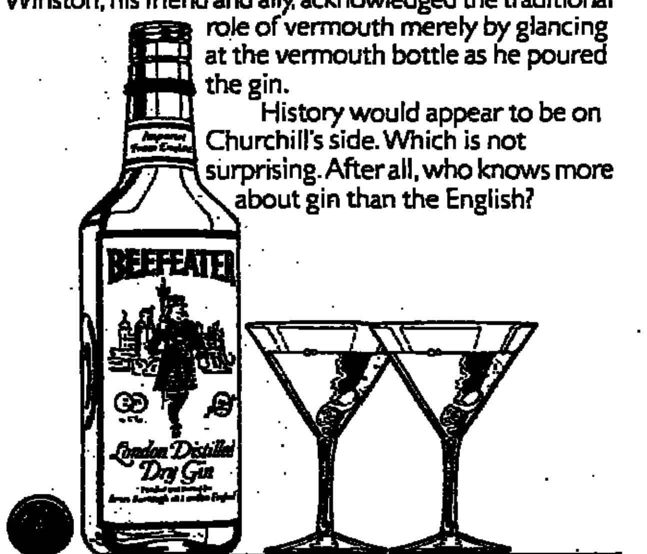
ROOSEVELT AND CHURCHILL: A TALE OF TWO MARTINIS

Concerning affairs of state, these two great statesmen were frequently of a single mind.

But in the mixing of dry martinis, there was a parting of the ways.

FDR enjoyed his dry martini in the then traditional manner: two parts gin to one part vermouth. Sir Winston, his friend and ally, acknowledged the traditional role of vermouth merely by glancing at the vermouth bottle as he poured the gin.

History would appear to be on Churchill's side. Which is not surprising. After all, who knows more about gin than the English?



THE GIN OF ENGLAND

Nuclear emission targets challenged

Financial Times Reporter

THE NUCLEAR industry's ability to reduce radioactive emissions to the environment has been challenged at the Sizewell B inquiry.

Groups opposing plans for the pressurised water reactor (PWR) at Sizewell, on the east coast of England, have claimed that French experience suggests that new UK targets will not be achieved.

The claims came at the inquiry last week from the Stop Sizewell B Association and the Anti-PWR Consortium of trades unions and local authorities.

One of the association's witnesses, Mr Peter Bunyard, editor of The Ecologist magazine, said the French nuclear reprocessing works at La Hague had a far better record in minimising emissions of radioactivity than its UK counterpart at Sellafield.

He claimed that even with the introduction of new plant, emission targets set by British Nuclear Fuels (BNF) were unrealistic. BNF maintained that its targets could be achieved.

The Anti-PWR Consortium said the annual radiation dose to PWR workers in France and elsewhere in the world averaged 430 rems compared with the Central Electricity Generating Board's (CEGB) target for Sizewell of 240 rems.

Such a target was extremely optimistic, said M Jean-Claude Zerbib, a French radiation protection engineer. However, the CEGB said the consortium had failed to take into account new remote handling techniques and the use of a less radioactive substance in the reactor's primary circuit.

Dr Alice Stewart, Fellow of the Royal College of Physicians, also claimed at the inquiry last week that there was an increased risk of leukaemia and other blood diseases from exposure to the so-called "safe" radiation doses received by nuclear industry workers.

The CEGB promised to review its proposals for minimising disturbance of the environment around Sizewell after criticism at the hearing from Mr John Selwyn Gummer, the Tory party chairman in his role as local constituency MP.

Sir Frank Layfield QC, the inquiry inspector, has told participants in the hearing that the forthcoming closing submissions will be one of the most important aspects of the inquiry. Sir Frank has appealed for closing submissions to be well organised and entirely relevant. The inquiry began nearly two years ago and has become Britain's longest-running public investigation.

WORLD STOCK MARKETS

CHECK EVERY DAY IN THE FT

GENOSSENSCHAFTLICHE ZENTRALBANK AKTIENGESELLSCHAFT

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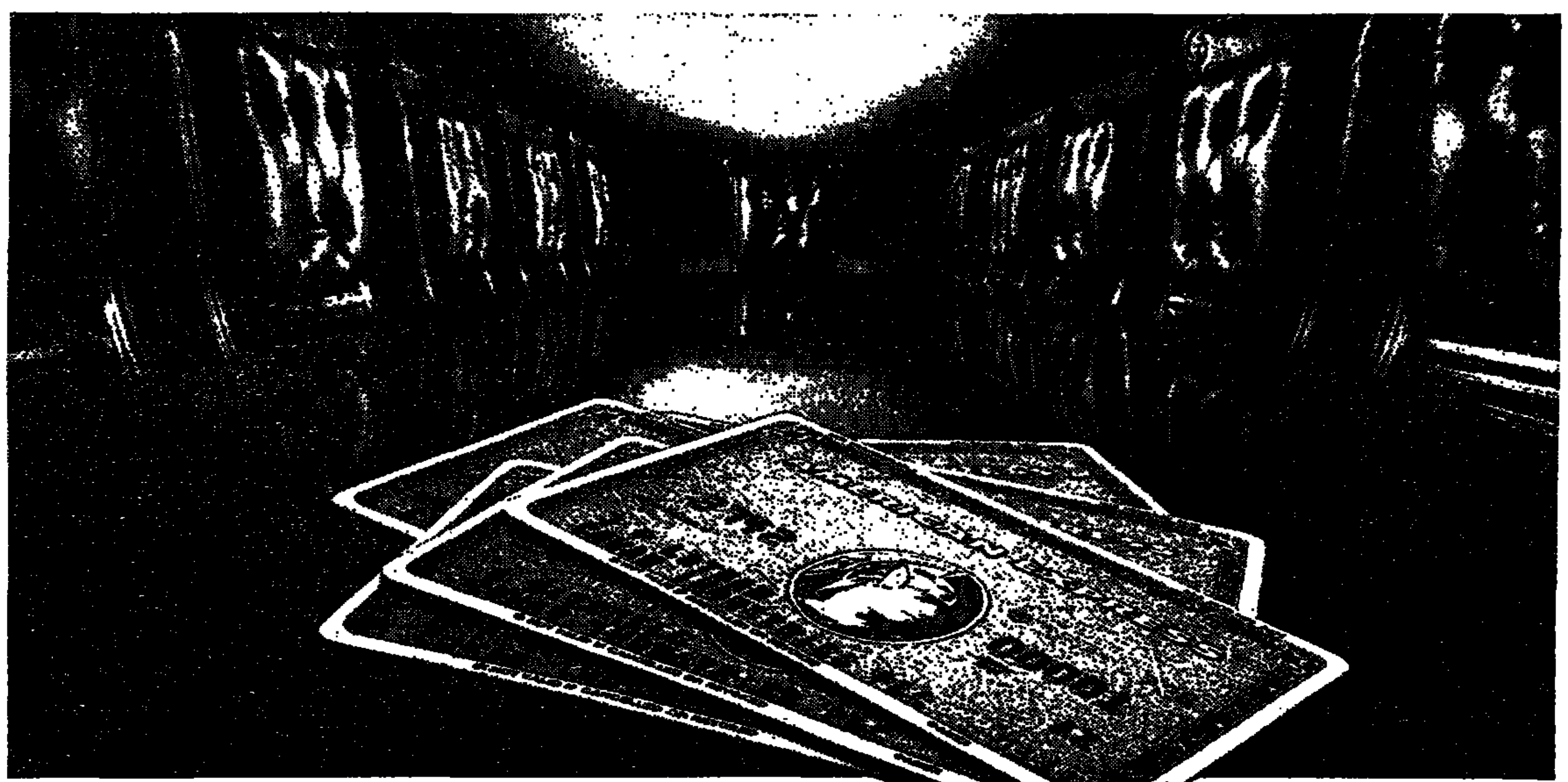

Boardroom luxury? Or business necessity?

The American Express Corporate Card System.

A recent survey has shown that at any given moment no less than £780 million of British company money is in employees' hands in the form of cash advances for travel, subsistence and entertainment. Just to service these advances costs £94 million a year from cash flows.

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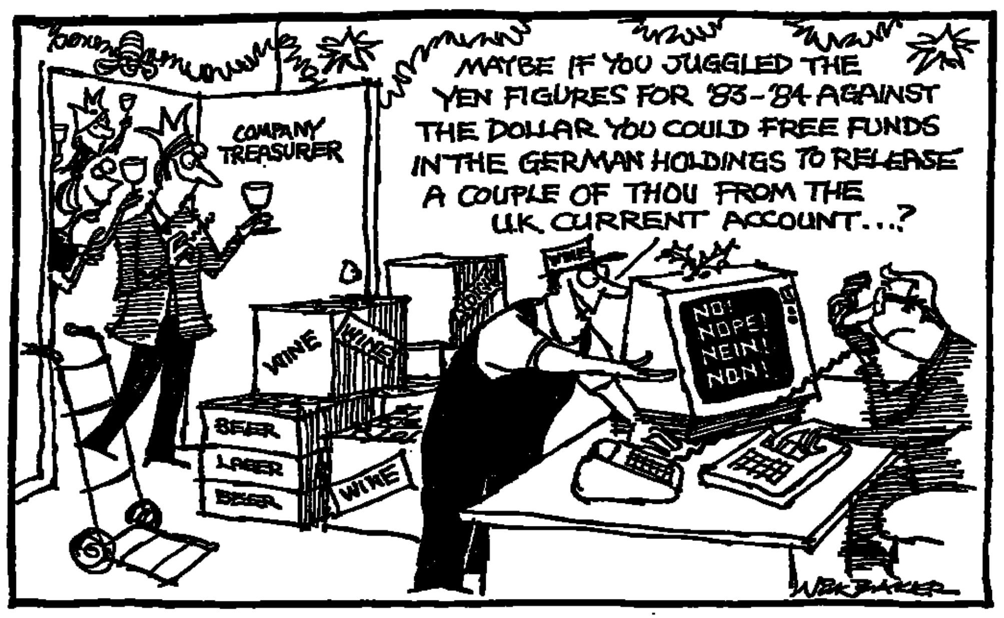
TECHNOLOGY

EDITED BY ALAN CANE

CASH MANAGEMENT IN EUROPE—THE FIRST OF A SERIES

Electronic links to cash care

BY ALAN CANE



THE PRESSURES are building inexorably on Europe's banks to provide their corporate customers with electronic cash management. Those that fail to do so will find themselves out in the cold as their competitors leap ahead and their own customers set about building their own systems.

Electronic cash management is simply one variation on the now universal theme of electronic information distribution. In its simplest form it is an electronic link between a bank's customer files, held on computer, and a terminal in the treasurer's department of a corporate customer.

It gives the customer direct and immediate access to his account information.

What can such information be used for? First, balance information allows the corporate treasurer to manage his funds world-wide, making the best use of otherwise idle balances, controlling exposure and so on.

Second, it can allow him to deliver instructions electronically exploiting the speed of the system, for example, to make payments at the latest possible moment.

Third, with the aid of special computer software, it can allow him to analyse his company's finances and build models of future performance—asking, in fact, "what if?" questions of his data.

Unlike the U.S., where time, distance and tough State banking regulations have made automated cash management a necessity for many years, Europe has made do with simple manual balance reporting, and the growth of electronic cash management systems has been slow.

But now things are changing. A recent and comprehensive study of cash management in Europe * found that over 90 per cent of a sample of over 300 European companies thought cash management was already important, while virtually all thought it would increase in importance in the next two or three years.

The mood of the respondents to the survey was summed up by one treasurer who said: "Unless you know where your cash is and where it's going, you might as well give up."

The trend is underlined by Europe's economic traumas where even large and well established companies are having to resort to cash management techniques to stay out of the red. In the study, for example, the treasurer of an Italian car manufacturer is quoted as saying: "Without cash management we would be losing money. It is the difference for us between profit and loss."

So there should be a solid market for cash management systems—traditionally provided by banks, computer services companies and accounting firms. At a recent Financial Times conference Ms Susan Ross, corporate treasurer for Reuters, said: "There is a large and expanding market waiting for easily understood systems . . . We wait with open cheque books."

And there's the rub. The corporate customer simply does not much like what he is being offered. Ms Ross complained: "Most of these are spin-offs from products developed to meet the bank's own needs. They are presented to treasurers who must then work out for themselves how to integrate them into existing information systems."

And the finance director of a Dutch company said, echoing views across Europe: "I sometimes think that the banks do not know what we do for a living. They come in here with systems which are too primitive for us to use or systems that have no relevance for use."

Even Mr Jack Large of Geisco, a major computer services company, says that customer needs and practices comes only fourth in his liit of factors influencing electronic banking. First is the regulatory environment, then competitive pressures, banking systems and attitudes and, last, technology.

Mr Large was UK manager of NDC which installed National Westminster's cash management system, and is editor of Cash Management News.

But he argues, for the moment anyway, the technology is not the most important thing: "At present, 60-80 per cent of the benefits of installing a cash management system come from the internal changes a company has to make in its treasury procedures."

It's not what you do it's the way that you do it, in other words, reminiscent of the way computerisation forced logic and order on accounting departments 20 years ago.

The UK banks, for example, depend almost entirely on third party vendors — Midland and Lloyds use the cash management service of the U.S. computer services company ADP, National Westminster uses NDC and Barclays uses Chemical Bank's proprietary package BankLink. But they are happy to mix and match services.

Barclay's uses BankLink for balance reporting, Geisco for instructions and is giving its treasurers Lotus software for analysis and modelling.

France is unique. With some 650 treasurers' workstations already out of treasurers' desks, it is the biggest user of treasury systems—a natural consequence of the complex nature of the French banking business.

Italy, on the other hand, with 1,100 banks has been one of the most sophisticated users of conventional cash management for several years — but on big, centralised systems.

West German banks use third party systems internationally — locally they are working on systems based on Bildschirmtext, the German Prestel system.

Scandinavia, the most advanced of all in electronic banking, has had sophisticated treasurer's workstations for four or five years.

There will clearly be powerful benefits for companies which take advantage of the new systems just as there will be rich rewards for the suppliers who meet their needs most exactly.

Over the next few weeks, FT writers will survey cash management developments in a number of European countries.

* *New Directions in European Cash Management, Business International, New York.*

MATERIALS DEVELOPMENT

Ceramic chips recover furnace heat

DEVELOPMENT of a mechanism to recover heat from furnaces using small pieces of ceramic material has paid off handsomely for Hotwork International, a company in Dewsbury.

The organisation is selling devices called ceramic regenerative burners that can be fitted in factories that heat up materials at high temperatures, for example smelting and glass works or steel plants.

In a key part of the system, hot flue gases from the combustion are passed into tanks filled with small ceramic nodules. These absorb the heat, which can later be given up to a blast of air. The air is cycled back to the burner, decreasing the energy consumption of the complete process.

In 18 months Hotwork has received orders for 130 units worth £2m

In 18 months Hotwork has won orders from British Steel for 130 burner units worth £2m. The corporation is installing the devices at plants in Llanwern, Shotton and Sheffield.

Each unit comprises two burners. These fire for two minutes at a time to maintain a furnace temperature of up to 1,400 deg C.

Instead of the furnace discharging flue gases into the atmosphere, gases from the first burner are drawn into the ceramic bed of the second, where the heat is retained at about the temperature of the furnace.

When the second burner fires, cold air that has to be mixed with gas for combustion passes through the hot bed of the burner where it picks up heat. It is then fed into a gas stream for ignition. The firing of the two burners is controlled by valves linked to a computer.

Engineers at the Midlands Research Station of British Gas developed the technology before passing it to Hotwork for commercial development under licence. Twin-burner units are sold for £10,000 to £20,000 and as a result of energy savings, customers can often recover their costs in less than a year, says British Gas. At one plant where the devices were installed, a steel works run by BSC Stainless in Sheffield, the fuel bill was reduced by 75 per cent.

PETER MARSH

LEASING AUTOMATED PLANTS

Robots for hire

A COMPANY in the U.S. plans to build big automated plants for flexible manufacturing and lease them to manufacturers for different kinds of production jobs.

Mr George Devol, the originator of the scheme, says this concept has not been tried before. He hopes it will appeal to large organisations that want to operate automated plants but do not want the bother of building them.

The plants would cost $50m to $100m, says Mr Devol. They would be built by an organisation he is in the throes of setting up, Automated Systems Manufacturing Corporation.

The workshops would comprise arrangements of robots and other automated hardware such as computerised machine tools that turn out goods with the minimum of human intervention and in small batches, so that the type of products can easily be varied.

Mr Devol, aged 72, is a veteran inventor who was responsible for the original patents in industrial robots. He sold his know-how in the 1950s to other engineers who later set up Unimation, the first robot company.

The inventor has run his own small company, Devol Research Associates, since 1985. He also owns a concern called Gemaco in Fort Lauderdale, Florida, that repairs boats and sells them at a profit.

Mr Devol started his engineering career working on hardware for talking movies in the 1930s. He later branched out into counter-measures radars used in military work in World War Two. Mr Devol later specialised in general control equipment for factories, including electronically operated doors and radio-actuated machinery.

Dairy

Milk cartons

AN AUTOMATIC milk cartening system has been jointly developed by Nepas in the Netherlands and Woodgate Farms Dairy in the UK where the system is now operating.

The automated system was installed to cope with increased demand for cartons from local supermarkets. Orders which come into the office in the afternoons are entered into a Commodore computer. This prepares printed orders and labels using a Pragma printer for an automated trolley system which takes cartons from the filling line and loads them into containers according to each order.

Woodgate has started selling the system and three have been installed by the company at Express Dairies.

Construction

Safety glass

MAGNET AND SOUTHERNS, the hardware DIY group, has just completed a factory to make its own type of toughened glass. The company is selling the safety glass for use in doors and double glazing units.

Toughened or tempered glass is made from ordinary annealed glass by subjecting it to a sophisticated 1<heating process. When the glass becomes "plastic" both surfaces are chilled by a stream of cool air. This has the effect of making the glass about five times stronger than normal.

In addition, the company is also likely to be one of the first to apply a special coating to glass which allows solar heat to enter a room but not escape. The Low E glass as it is called, will be available in January next year and when installed in double glazing glazing units will increase the performance of the system by about 40 per cent.

Pilkingtons provides the basic material to the factory which will eventually employ more than 150 people. The process plant came from Glasstech and Leybold Heraeus.

Design and Construct
Norwest Holst

Factories

Production automation

THE BACKERS of a new centre in Middlesbrough that will channel expertise in production automation to engineering companies report a strong demand for their services.

The Middlesbrough CADCAM Centre (the acronym is for computer-aided design and manufacture) is to provide 20,000 sq ft of industrial units for small companies. The project is due to start next year and is backed by £1m from organisations such as Cleveland County Council and the European Social Fund.

About half the space has so far been reserved, according to the centre. The building will provide a central computer to which tenants may be linked to help them in, for instance, work to designing new CAD programs or methods to link machine tools in a co-ordinated production system.

Companies that take space in the structure are expected to be a mixture of enterprises from the software and engineering industries. The centre is in the Britannia Enterprise Zone next to the River Tees. More on 0642 226211.

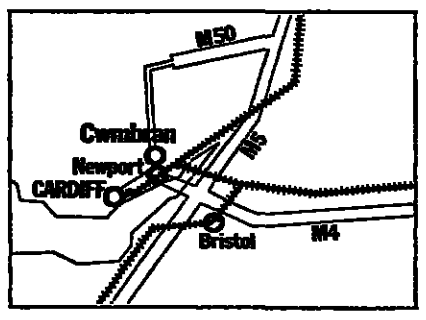
Buildings

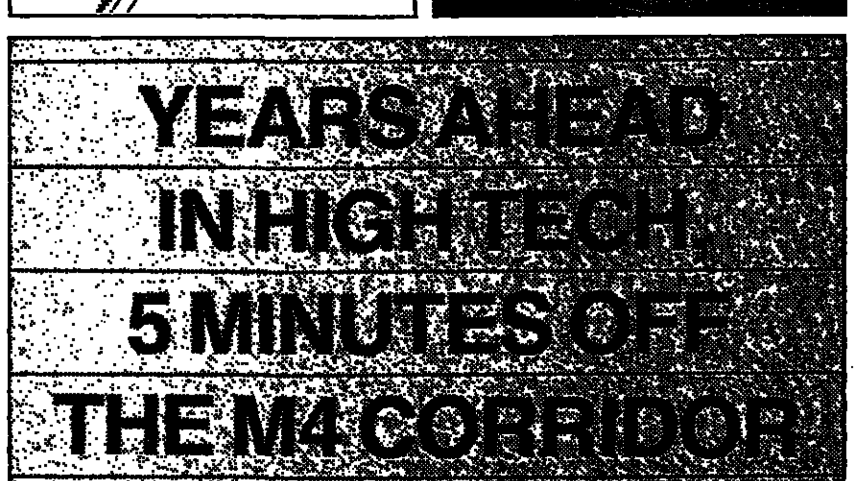
Repair of roofs

THE PROBLEM of repairing leaking roofs during wet weather has been solved by a British product now available called Isoflex Wetpatch. The inventors say that the compound can be applied during a downpour or even underwater.

The material is a hydrocarbon mastics which can be applied to roof lights, flashing, gutters as well as to roofs. The product comes in a one kilo can cost £3.75 and should be available from hardware suppliers.

LLANTARNAM PARK





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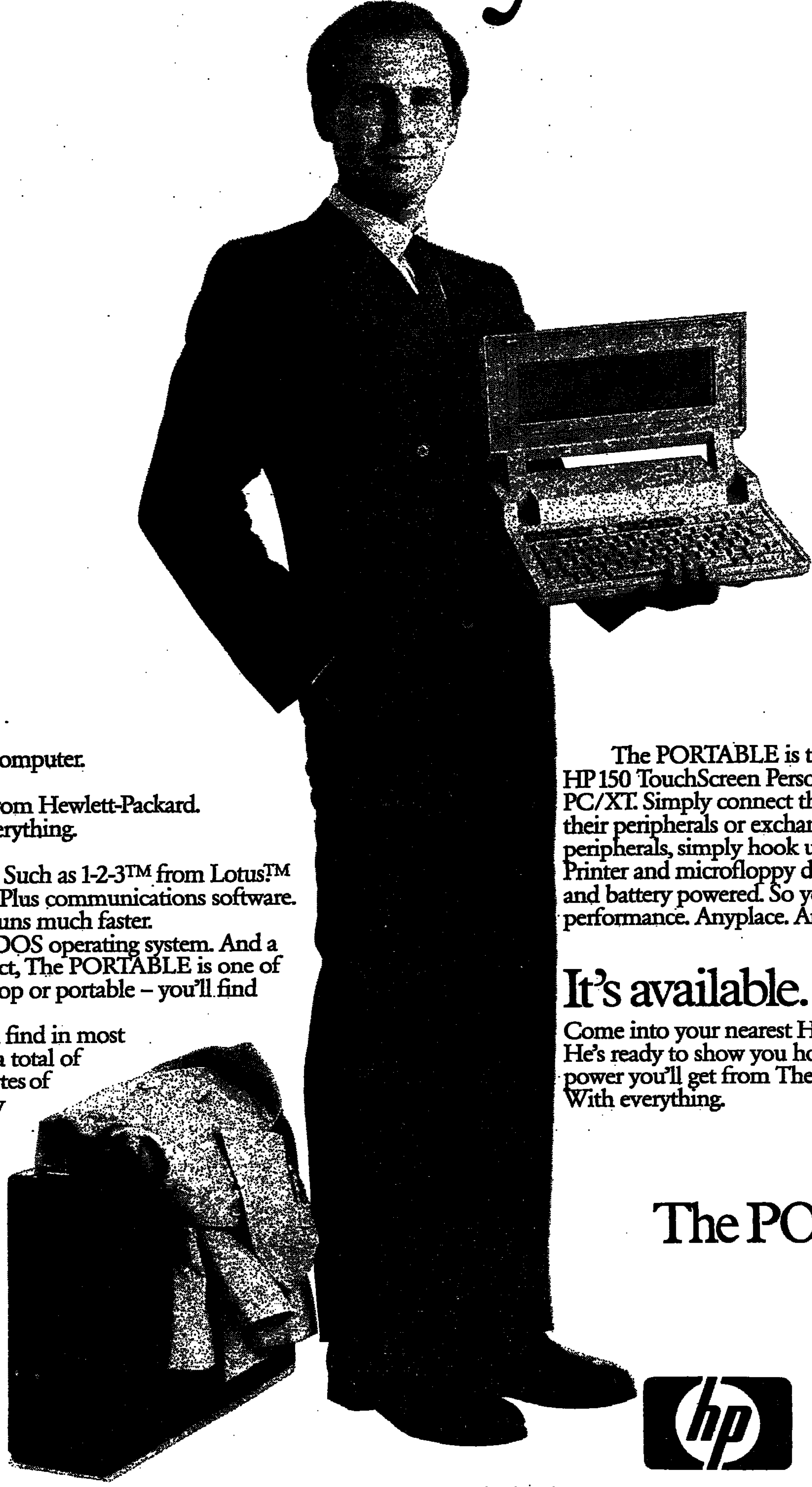

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THE MANAGEMENT PAGE

Stress

'At worst, it's a killer'

Ian Hamilton Fazey reports on a growing problem among managers

MANAGEMENT stress is on the increase. At worst a killer, stress is responsible for at least 23m working days lost a year in the UK.

One answer to the problem, according to a consultant psychiatrist at a recent seminar, is for managers to take holidays or short breaks every six weeks. "Out of the question" was the terse response from one manager, who pointed out that with so many staff having been shed in the recession, managers had taken on their work themselves. Another equally explicit response was: "We get four weeks' holiday a year and it's a push to take them."

According to Bernard Stam, north west regional manager of the British Institute of Management, managers should be trained to recognise the effects of stress on themselves and others. "There are two types: stimulation which is good, and strain, which is bad. Managers need to understand both," he says.

Stam organised the seminar and intends to repeat the exercise at six-monthly intervals. They will be held in Altrincham.

Dr Ian Almond, assistant director of the Bupa Medical Centre in Manchester, says that the number of days lost through stress may be more than 23m since psychoneurosis accounts for 30m lost days and psychosomatic illness 10m. Stress plays a large part in causing both, and the two categories represent 13 per cent of all sickness. He puts the cost at about £3bn a year and reckons about one in four of the workforce is affected at some stage.

Managers, he says, may exhibit "presenteeism" under high stress, by which he means that they work longer hours when it is not strictly necessary. They may also develop alcohol problems, or high blood pressure, or increase their risk of coronary heart disease.

Stress is not new, says Almond, merely a modern label for the natural response of the body to any demand placed upon it. Dr Brian Hore, a consultant psychiatrist, says that no one can escape the physiological inevitablity of producing the hormones adrenaline and noradrenalin when under stress—and they speed up the heartbeat, increase sweating, loosen the bowels and generally stiffen the sinews and summon up the blood.

Stress becomes dangerous when it becomes chronic, says Almond. Normally, stress is acute, with a "rebound" phase of sighing and relaxation when the stimulation passes, so that the system calms down again. But in chronic stress, the "rebound" phase never occurs, as new stimulations re-activate the natural stress response. Many illnesses and disorders may then be precipitated.

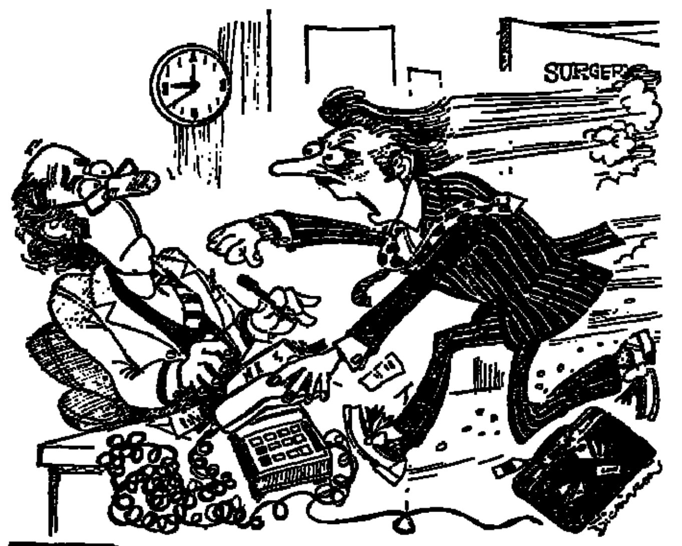
Unremitting

Hore gives as an example of bad managerial stress the personnel director in his 50s operating in a typically difficult labour relations climate. He feels pressured by the unions but unsupported by the people above him. The pressure is unremitting from both directions but the man has to cope somehow.

If people cannot cope the results may eventually show in psychosomatic illness, such as asthma or migraine, or may result in depression. In some cases, it leads to anxiety neuroses, such as fear of flying, or—as happened in one case—an inability to go out and meet people.

Hore says: "One of the ways people cope is to drink. Drinking can be a very rewarding experience and help to blot everything out." But it is dangerous to drink more than three pints of beer or six single whiskies in a day, or about four times those figures in a week.

Professor Reg Beech, a Manchester clinical psychologist, says: "It is the individual who feels a sense of helplessness who suffers most. Some people give up. People under high stress need to make the discovery that there is something they can do about their world that will alter it.' '



"Morning doctor—my wife thinks I'm suffering from stress. . . .God is that the time ?—let me have your views in triplicate—can I use the phone ?—my secretary will do the medical . . . must rush—let's have lunch some time. . . ."

This does not extend to altering one's basic personality. Psychologists have long classed people into what are known as Type A and Type B personalities. Type A's are life's go-getters, natural leaders who are intolerant of delay or incompetence, always ready to assume responsibility, will not suffer fools gladly, work better against deadlines, compete at everything, put in long hours, and always have several projects on the go.

Type B people tend to be more placid, task-oriented, slow to anger, tolerant and more likely to be led than leaders. Most people have something of both types in them, but will usually have a preponderance of traits associated with one.

Beech reckons that no one can get very far in management without being predominantly Type A. He says: "The executive breed would not exist if there were no such thing as the Type A personality." But problems arise if Type A people are exposed to long periods of stress because their personality traits help establish a vicious cycle of overwork and yet more stress.

If people are more than averagely neurotic as well, the situation can only get worse. Neurotic traits include oversensitivity, being thin-skinned, highly-strung, irritable, or worrying about what other people think of you, and being unable to take criticism.

Beech says: "You cannot avoid sharp edges if you are taking responsibility. This means that you cannot afford to be too sensitive. When you have high stress combined with poor coping skills in an oversensitive, exaggerated Type A personality, you get real trouble."

He and Hore place great emphasis in learning the skills with which to cope better with stress. They say that just thinking about behaviour and avoiding some things, will help. "Don'ts," include:

Dominate

Vocal assertion, such as over-emphasising key words.

Rapid motion. Hore says we should even brush our teeth as gently as we can and stop running up stairs.

Impatience. One of the worst signs is finishing other people's sentences for them.

Double action—doing more than one thing at a time.

Attempting to dominate conversations by butting in.

Feeling guilty about relaxation.

Indulging in time brinkmanship through over-tight deadlines with no allowance for the unexpected.

Challenging others in needless competition.

Beech says that competitive managers become more concerned with having, not being. They fail to realise that self-improvement is more valuable to them than acquisition, especially when they already have everything they really need. One patient told him he would slow down after he had made his first million. He had now amended his target to £2m, having passed £1m easily.

Hore believes that managers should calmly ask themselves what are their values and purpose in life, what they want from work, and what is really important to them. This should enable them to set their priorities better and ration time more effectively.

Breaks from work are essential to prevent the work-stress-work spiral developing. Beech says this extends to lunchtimes too, even if it means only 10 minutes in the canteen or a stroll round the block.

Hore recommends managers to turn to professionals if they need help. Discussing things with friends can be the worst thing to do because most will not be able to give practical advice. The usual attitude is: "Bear up, old chap, it'll pass." or "Don't worry about it. It'll all come right in the end."

He says: "I really resent this stiff-upper-lip, bite-on-the-bullet business." He thinks that bottling things up is one of the worst things to do with stress.

Stam sees the solution in practical terms, with management techniques as applicable as any other. "Learn to work smarter, not harder," he says, urging better time management, and careful personnel selection to avoid the wrong people being given the wrong jobs.

Beech says: "Family time is as important as work time. If you had to stick a label on it, it would say 'liferaft.' Managers who spend nearly all their waking hours at work should recognise that."

At work, people need to understand how they impose unreasonable stress on others. The most widespread single offence is to disrupt colleagues' time management. From the long-term stress point of view, the worst five words in the English language may well be: "have you got a minute?"

Here are some of Beech's recommendations for coping with stress.

1. Identify sources of stress. Act on those under your control.
2. Delegate more.
3. Get up 15 minutes earlier each day to potter about and relax before goin gto work.
4. Space out your work. Take rest pauses.
5. Listen—don't talk too much and narrow down the range of conversation.
6. Learn to say no. Willing horses are always given the heaviest loads.

The image is the reality

Feona McEwan reviews David Bernstein's critique on communications

CHIEF executives, especially British ones, are a reprehensible bunch. They are guilty, according to arch-communicator David Bernstein, of the commercial sin of non-communication. For which read *negative* communication and you begin to catch his drift.

"The average British management speaks, if at all, only when it has to and to as few people as necessary, and monitors not at all." It may pay lip service to employee relations, make assumptions that messages seep down and confine itself to one way missives (memos, notices) but heaven forbid the inconverience or threat of *dialogue*. Management consultant Douglas Haines put its differently: "The Ruling Class is raucous in the hunting field, noisy in bed and reticent everywhere else."

Yet this reticence retards efficiency in business where corporate communications are just as crucial as resource management. The chairman of IBM World Trade Corporation, Jacques Maisonrouge, has said: "Most management failures result from, or are accentuated by, a failure to communicate somewhere along the line. Recognition of this need to communicate ought to be written into the job specification of every chief executive and senior manager."

So writes David Bernstein in his latest book "Company Image and Reality." It is a stimulating critique of how companies communicate, the whys and wherefore, do's and don'ts. Peppered with examples and refreshingly jargon-free, the book is an enlightening and very colourful read, from one of the ad industry's sharpest thinkers. (Bernstein wrote the CBI booklet, "Working for Customers" now in its second print run, 20,000 copies later.)

Image is very much the key concept in this treatise. Not in the derogatory, false, "manufactured" sense of the lingo. "If any word needs an image-job," says Bernstein, 'it's image." His premise that image is reality underpins the whole book. "It is the result of our actions. If the image is false and our performance is good, it's our fault for being bad communicators. If the image is true and reflects our bad performance, it's our fault for being bad managers. Unless we know our image we can neither communicate nor manage." But he also warns that image is not what a company believes, but what the *customer* feels and believes about a company, its brands and services.

Responsibility for minding the image is laid squarely at the company leader's feet.

Take press relations: the chief executive who omits to take the press into his confidence in the good days, can find that the bad days are worse than need be.

Or customer relations: companies, says the author, which maintain silence in face of inquiries or complaints can't complain when they themselves wish to speak up and find it difficult to get through, let alone accepted. The reverse (full communications) is however not always easy to take. In 1972, The Creative Business (Bernstein's company), redesigned a newsletter for one of the London boroughs. Two months later it had an annoyed client because the exercise had been too successful. The council was receiving more complaints than

ever with the more effective presentation. Ratepayers now knew their rights and whom to contact.

Johnson & Johnson's experience with Tylenol when seven people died after taking capsules that had been poisoned would have severely damaged a lesser communicator. The event put $450m sales in jeopardy and cast doubt over the company's efficiency.

But J&J had a defined corporate philosophy with clear lines, and spent $100m in recall, man ran a working group of senior executives twice daily for six weeks. They took the initiative, informed the public, the medical profession and airlines, an dspent $100m in recall. The product was repackaged in just six weeks (it would normally take a year) and a press conference mounted via satellite in 30 cities. The culprit was caught, eight bottles were discovered to have been tampered with and 31m bottles were destroyed. Yet J&J regained over 85 per cent of previous sales in six months and came fifth in Fortune magazine's survey of most admired companies, and took first place in the "community and environmental responsibility" section.

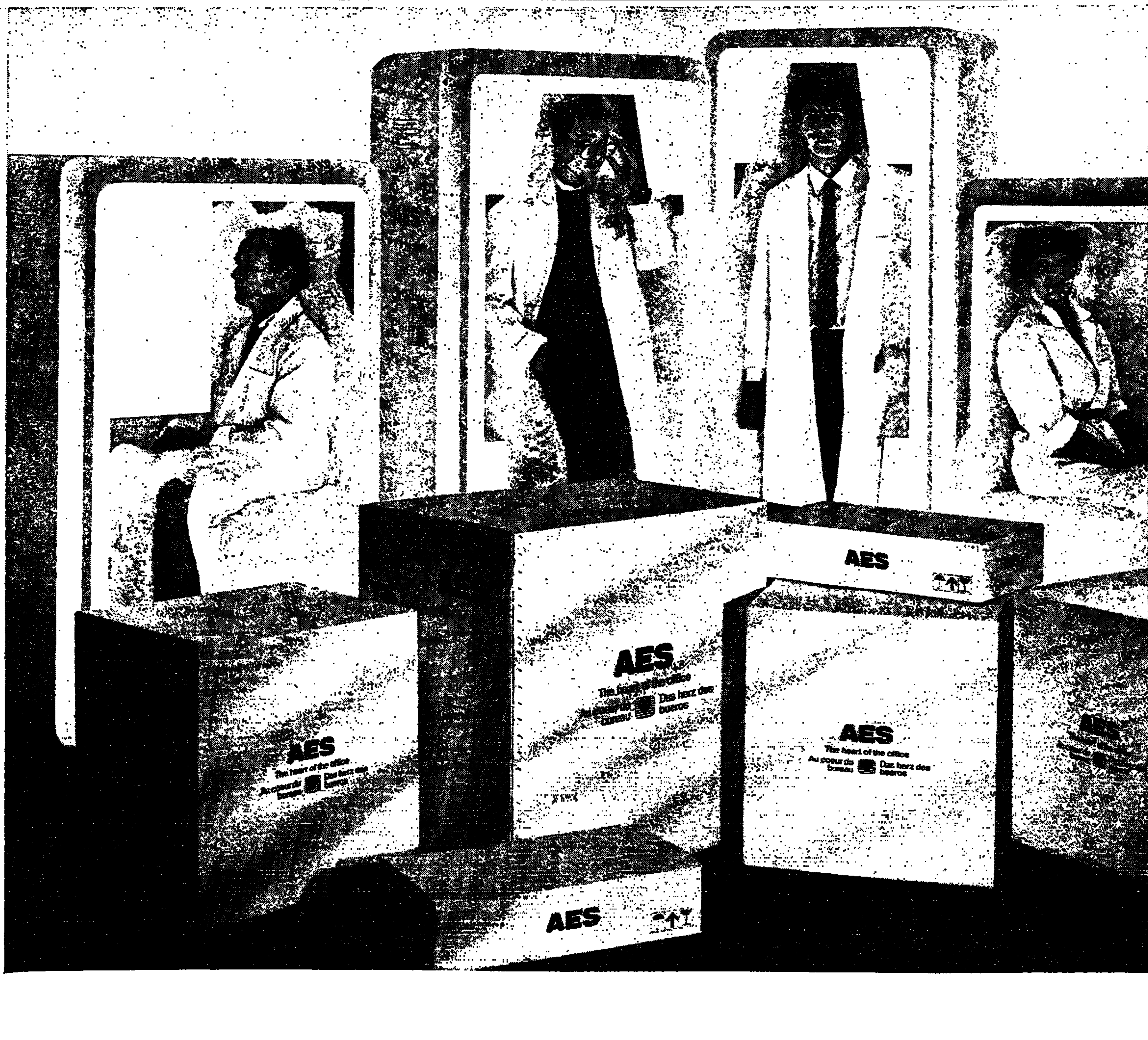
The path to corporate communications is well signposted by Bernstein: it helps to think of companies as people (Mr Avon, Mr Shell, Mr Procter); never assume, avoid pigeon-hole thinking, go for the integrated approach. "How can management have fooled itself for so long?" he asks. "Can it really believe in watertight communication compartments—design, PR, advertising, packaging—when the consumer in his wisdom sees the company and everything marked with its name as one?"

Consistency of approach is important. And once the communications are defined, there are, as Bernstein sees it, nine audiences to be addressed: internal (the most important), local, influential groups, the trade, government, the media, financial, customers, and the general public. And there are nine channels of communication: product (most important), correspondence, public relations, personal presentation, impersonal presentation, literature, point of sale, permanent media, advertising.

On advertising: corporate advertising is more complex, says the author, than product advertising — "miles away from blanket coverage and cost per thousand."

Bernstein's own "law" on corporate advertising is: "product advertising takes minor differences and maximises them. Corporate advertising takes the major differences and minimises them." He invites readers to play a game of slogan guessing to prove the point. Not only does brand confusion result but product confusion too. An exception was the famous Volkswagen campaign of the late 1960s which, when everyone was associating themselves with NASA's landing, carved its own identity featuring a Beetle with the line: "It's ugly but it gets you there." An appropriate line in a style appropriate to VW. The company personality, he says, shines through.

Company Image and Reality, by David Bernstein; Holt Rinehart and Winston; £12.50.



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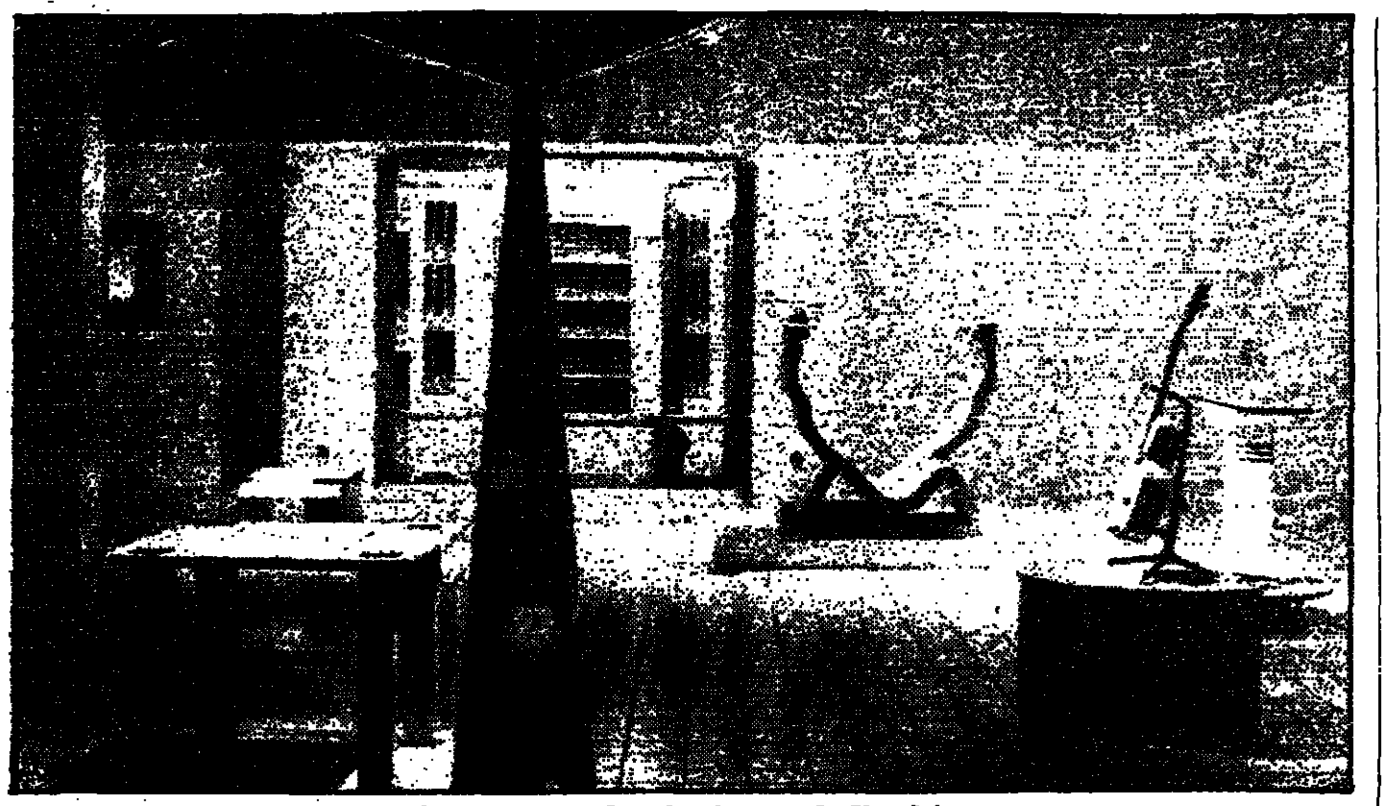
THE ARTS



Surreal post-modern furniture at the V and A

Architecture

Colin Amery

Shapes of the future

The design of new furniture and interiors can often be in advance of architectural design. The possibility of experimenting at a small scale gives designers a certain freedom. They can play around with new colours, shapes and materials without inflicting lasting damage on the environment. So I felt a certain sense of relief in the Victoria and Albert Museum's Boilerhouse that I was looking only at prototypes for furniture and not models for new post modern architecture. The exhibition at the Boilerhouse, entitled *Post-Modern Colour*, runs until January 13 and is a display of the work of designers from Britain, France and America. It has been arranged in association with Formica to demonstrate the versatility of their newest material ColorCore (sic) —a laminate that has the colour running all the way through.

In many ways this new material can be treated exactly like wood—allowing designers the possibilities of sculptural and surface effects. The point of the exhibition is to show how freedom from constraints and the use of a new material have resulted in a new kind of aesthetic. Almost for the lack of any other word the new look furniture is described as Post-Modern. This is now an all-embracing term for anything that uses pastel colours, hints of historical references and a zany misunderstanding of geometry.

There are six new designs specially commissioned from British designers and they are among the most interesting in the show. Eva Jiricna is an old fashioned modernist and a very good designer. She believes that function should determine the aesthetic. She has produced a folding table and chair. The chair has a circular seat and does bear an unfortunate resemblance to the "Elsan." Like the circular table it is supported on two hinged panels that fold up. Why is it that this sort of functional furniture always looks as though it is designed for the most simple minded of children?

Rodney Kinsman's dressing table and screen has more sophistication, it is solid black and has a precarious mirror poised on the surface. David Vickery of Conran Associates has produced a rather wayward sideboard, the top looking a bit out of balance on a too small pedestal. Peter Glynn Smith's low table has chamfered the edges of the material but it has a rather terrifying galvanised zinc removable centre that looks like a dustbin lid.

John Makepeace — the founder of a school for craftsmen in wood—is happy to try his hand at Formica and he has produced a table that looks as though it has been eroded by time. Curiously he has supported the table on six oak legs which manage to look exactly like Formica. The great achievement of Formica was that it made laminates that looked exactly like wood; now the real test of a designer is to see whether he can make wood look like plastic.

It is hard to treat the rest of the exhibition seriously. If post-modernism is to result in cocktail cabinets in the shape women, *trompe l'oeil* chests of drawers that condense the experience of art deco into one dimension, and coffee tables that look like blocks of Neapolitan ice cream

Stephen Bayley, the director of the Boilerhouse, has isolated these crazy designs in his white-tiled gallery so that they look like drunken guests who have stayed long after the party is over. Post-modern design, if it wants to be taken seriously has got to recover from its hangover f pp art and the 1960's. The Boilerhouse has done us all a great service. This show is a warning that designers who become slaves of the latest silly trends will just inspire laughter —and the laughter is becoming more ribald than sympathetic.

Last Monday the saga of the impending return to the City of Temple Bar took another minor twist. As I wrote some time ago the perfect site is waiting for the Bar alongside St Paul's Cathedral and the Temple Bar Trust (exemplars of patience) have nearly got the money together to ensure the move from Theobalds Park in Hertfordshire, where the Bar is languishing in a damp wood. It has not bee reported widely that the result of the Public Inquiry was that the Inspector recommended to the Minister that St Paul's precinct is, in his view, the right site.

The final decision has not been taken because the newly established Historic Buildings and Monuments Commission for England asked for the Inquiry to be reconvened last Monday to hear their new evidence. The new Commission, which has among its members some of the people who are opposed to the Bar being moved, offered £100,000 to conserve it in-situ and maintain it. It is unlikely that the Inspector was impressed by the Commission's evidence that took no serious account of long term protection of the monument, access, car parking or future maintenance.

There is no doubt that the site next to St Paul's Cathedral is the right place for Temple Bar. *It is available, millions of* visitors will see it and the arguments about scale will be confounded when it is in position. The Temple Bar Trust says that they have the money to move the great gateway and that they are confident of raising the extra that is needed to restore it and look after it. It belongs in the City and the Secretary of State for the Environment should take his own Inspector's advice and bring back the Bar to its rightful home. There seems to be some bizarre "heritage" conspiracy to let Temple Bar rot in the sticks. Instead why not use it as a recruitment centre for the new Heritage Commission when the Bar is returned to London?

WNO in London

Max Loppert

The latest Amoco-sponsored short season of London performances by Welsh National Opera was, on balance, a *triumph for the company's* policy of pursuing a broad, adventurous repertory in lively, unpredictable stagings. It was also, as past WNO London seasons have been, an irritatingly complete demonstration of all the ways in which the Dominion Theatre fails to provide operatic visitors with temporary accomodation of the proper sstandard. Of the three performances I attended last week two were harmed by the configuration of widespread, wide-open orchestra and recessed broad stage—words, in *The Greck Passion*, were hard to catch, while large stretches of *From the House of the Dead* were reduced to near-incomprehensibility. In differing degree all three operas suffered from erratic lighting and stage-management.

The loss of the sharp verbal focus which had been the uncommon boon of David *Pountney's Janacek production* in its original Cardiff estate was not, however, total; Nigel Douglas and Donald Maxwell were two singers who managed *to brave the orchestral fury* unleashed by Richard Armstrong. And, even thus, this *House of the Dead* retained a tremendous impact, for it is one of the great feats of contemporary opera production, acutely faithful to the imaginative core of the work, brilliantly spare and *precise in almost all of its* detailing, at once searingly painful and unsentimentally uplifting. It was a performance placed confidently in that region, obscure all too often in the opera house, where "opera" and "drama" become indissoluble concepts.

About *The Greek Passion*, rather more mixed opinions. This was my first encounter with the much-admired 1981 production by Michael Geliot; and it was not hard to work out how much more compelling it must be in the confines of a small theatre. Spread out like this, Martinu's last opera *exposes sometimes too clearly* its tendency to discontinuity of musical thought. Good things and less good things alike come and go in a short space; where *this chimes with the drama* a sense of radiant economy is created, where not (rather more often, I fear) an impression of flimsiness. The performance, conducted with spacious, unforced eloquence by Anthony Negus, was short on good solo voices (which may *have added to my own* intermittent sensation of high-minded boredom), chorally outstanding.

And about Ruth Berghaus's *Don Giovanni*, performed twice during the short season, only a brief note: I don't propose to add a great deal to Andrew Clements' admirably balanced account on this page of a now-notorious production beyond admitting to general feelings of respectfully bemused interest and even fascination. Unlike in any previous *Don Giovanni* (or, indeed, any opera performance) of my experience, the weight of expressive intention *is reposed almost entirely in* objects—singers' faces show hardly a flicker of expression, but shoes, socks, swords, etc, and all their carefully chosen *colour contrasts are heightened* to bear the full burden of dramatic meaning.

Most of the time, that meaning remains resolutely private and particular (as this production, in its elusive neo-surrealist mode, is the very opposite of People's Art, a colleague's *description of it as "Stalinist"* was notably ill-judged). This is not a *Don Giovanni* for first-timers, which is why it must be deemed a failure for a company with touring obligations of the Welsh National kind; but for others it is not one to be dismissed too quickly or too airily. In a way, the crisply drilled quality of Charles Mackerras' conducting (obtaining orchestral playing of a very high order) and the rather featureless note-for-note exactitude of most of the singing was a musical complement that proved highly appropriate to the special qualities of the staging.

The Makropulos Case/Coliseum

Rodney Milnes

There have been many memorable performances of Janacek's masterpiece here over the last 20 years, both in the old Sadler's Wells Opera production by John Blatchley and more recently in that by David Pountney shared by the WNO and Scottish Opera, currently on loan to the ENO. All have been different, as different as any two performances of *Cosi fan tutte* — it is that sort of Protean piece. It is hard to describe precisely the qualities that made Thursday's revival one of the best of all, one of those comparatively rare occasions when all the Makropulean alchemical ele*ments came together to cohere* into that mysterious amalgam called opera.

This was not just a "moving" performance—it was far too good to be just that. It was shattering. The comic-grotesque mood of Mr Pountney's production (very well revived by John Eaton), as right as it is tricky to control, was here perfectly sustained. Lines could at one and the same time make you laugh out loud and freeze the laugh on your face with their multi-faceted implications, and underneath the farcical horror of this dance of life and death there was the firm bedrock of Richard Armstrong's conducting, both constantly absorbing musically in its unhurried, expansive unfolding of Janacek's *ever-developing thematic motifs*, and deeply stirring in its—and the composer's—compassion for the protagonist in particular and, by extension, for humanity in general.

Josephine Barstow, repeating her Emilia Marty, took due advantage of the gentle speeds *and the superbly disciplined yet* rich orchestral playing to project both notes and words more clearly than sometimes in the past, and her gauging of the production's mood was faultless. This was one of her finest performances.

There were many newcomers in support, most notably Graham Clark as Gregor. He made light of the role's hideous vocal difficulties, and used his own brand of physical abandon to bring the Pountney version of this near-Aldwych farce "silly ass" to vivid and interesting life. Bonaventura Bottone made Janek properly half-witted yet curiously sympathetic, and as his father Jaroslav, Donald Maxwell delivered his lines with the requisite authority; he could, perhaps, exert a more baleful physical presence. Stuart Kale was "poor mad Hauk" to the life, and Eirian James a hilarious chambermaid.

Amongst those familiar in this production, Edward Byles's crystal-clear Vitek and Patricia O'Neill's brilliantly funny Krinstina were especially satisfying to re-meet, and Eric Shilling's Kolenaty was as always a tower of strength in the complex first act. This is an outstanding revival, but beware: there are only three more performances, the last being as soon as December 21. To miss it would be simply irresponsible.

Josephine Barstow

Franz Schmidt Festival

David Murray

From Thursday to Saturday the Austrian Institute and the BBC held their Franz Schmidt Festival. It was generously spread: a chamber concert (rather too generous at two and three-quarter chilly hours in St Paul's, Knightsbridge), a recital at the Royal College of Organists, a symposium by and for enthusiasts, and an orchestral concert from the BBC's Maida Vale studios. The fact that most readers are trying to remember whether they have ever heard of Franz Schmidt shows how much the festival was needed; the justification for *holding the Festival* at all lies in Schmidt's music.

Though he was a Viennese musician through and through —celist, keyboard performer, pedagogue and symphonist—he was more than half Hungarian, born in 1874 (the same year as Schoenberg) in what is now *Bratislava. He was a* "conservative" composer: he respected Schoenberg, but his own music follows the tradition of Brahms, Bruckner and Mahler, incorporating nothing from the Second Vienna School. That partly explains why, outside Austria, his music is unfashionable and neglected; probably also he has attracted *the sort of defenders* who want a champion for unrevolutionary music and regard the Schoenberg *school* as o monstrous aberration. In his last years—he died in 1939—he may or may not have become a Nazi supporter: the symposiasts on Friday differed sharply about that.

Schmidt's music is superbly and unarguably well made, in unhurried Brucknerian spans, and richly melodic — always *in the Austro-Hungarian idiom*, familiar (and *gemütlich*) almost before you have heard it. If that were all, it would be treasured by a few academic musicians and organists, and decently ignored by the rest of us. But the later music, which cultivates a chromatic vein entirely personal to the composer, takes on astonishing emotional power: with the magnificent patina of Schmidt's orchestration, or in his limpid chamber-writing, the poignant harmonies have a lofty resonance, and the cogent unfolding of a masterpiece like the Fourth Symphony — his *last — commands a response* much deeper than respect.

It was that symphony with which Sir John Pritchard and the BBC Symphony concluded the Festival on Saturday. It was sumptuously played, as even listeners at home must have heard, and searchingly expounded. If the solo trumpet, *who begins and ends* the symphony with the long, haunting melody that generates nearly all the music, sounded as if he had done it perfectly in the *rehearsals*, Ross Pople addressed the great cello solos of the Adagio with flawless sympathy and tenderness. Over the unbroken three-quarters of an hour that the work fills, the grip of the music was tender but inexorable — less lush than the Mehta/Vienna recording through which I first discovered Schmidt, but more rigorously proportioned.

Pritchard also conducted the Carnival Music and Intermezzo from Schmidt's first opera (of two) *Notre Dame*, with some panache. It is, I think, music that makes one interested in hearing what else the composer has done *without itself making* a notable impression; in its operatic context it may carry greater weight.

The Festival marked the publication of the first of three Schmidt studies by Harold Truscott, whose devotion to Schmidt's music is of some 50 *years' standing; it is concerned* with all his purely orchestral music, described in loving detail which will whet musical appetites for the unrecorded symphonies. Toccata Press does great service to the cause—and, one hopes, the real revival of interest—with these books. The second will cover the chamber and *keyboard* works, and the third, on the music with voices, should appear for the 50th anniversary of the composer's death.

The organ recital by *Lady* Susi Jeans, who studied with Schmidt in the 1930s, was tantalising: it included fine small pieces, and the taxingly brilliant C major Toccata (tackled by a younger performer here), but didn't aspire to the grandest works. Contrariwise the chamber recital in the frigid church attempted more than was comfortable, with both the expansive quintets for piano, clarinet and strings *and* the A major Quartet.

Very sympathtic playing by the Allegri Quartet was slightly foxed in the latter work by slippery pitch, doubtless the result of cold fingers, and elsewhere by unkind acoustic balance. Thea King's clarinet surmounted the hazards easily, and Clifford Benson returned to the piano parts of the quintets with all the insgiht — if perhaps slightly less technical security —that he brought to them in *broadcasts years ago (Schmidt* lovers preserve their tapes devoutly). We still await modern performances of those works, and the few solo piano pieces, in their original form: Schmidt composed for the one-armed pianist Paul Wittgenstein, a rough performer (if one can judge by an old record of Ravel's left-hand concerto) but an inspired commissioner. Well-meant adaptations of the scores for the conventional two hands distort texture and balance.

Laurence Olivier Awards 1984

The awards made by the Society of West End Theatre, SET, have been re-christened the Laurence Olivier Awards and were announced last night in a ceremony at the Theatre Royal, Drury Lane.

Of the 20, three went to the National Theatre's production of the Chekhov/Frayn *Wild Honey*: to Ian McKellen, to the director Christopher Morahan, and to the designer John Gunter. Michael Frayn also won the Play of the Year award for *Benefactors*. Two awards went to the revival of Rodgers and Hart's *On Your Toes*: Tim Flavin was Most Promising Newcomer and Natalia Makarova, Actress of the Year in a Musical.

Another double was scored by Leos Janacek, whose impact in our opera houses over the past decade was acknowledged in the awards to Welsh National Opera for *From the House of the Dead* (Outstanding New Opera Production of the Year) *and to Philip Langridge for his performance in the ENO's Osud* (Outstanding Performance of the Year in a New Opera Production).

Vanessa Redgrave in *The Aspern Papers* was Actress of the Year in a Revival. The respective awards for performances in new plays were won by Thuli Dumakude (for *Poppie Nongena)* and Brian Cox (for *Rat in the Skull)*. The Comedy Performance of the Year was adjudged to be that of Maureen Lipman in *See How They Run* and the Supporting Actor awards went to Marcia Warren for *Stepping Out* and Edward Petherbridge for *Strange Interlude*.

The Outstanding Performance in a New Dance Production was David Bintley's *in Petrushka*, and the New Dance Production of the Year was *Giselle* as performed by the Dance Theatre of Harlem. Ned Sherrin won an award for his "conception" of *The Ratepayers' Iolanthe* and veteran New York producer David Merrick was on hand to receive the Musical of the Year award on behalf of *42nd Street*. Actor of the Year in a Musical was Paul Clarkson for *The Hired Man*.

Both *Poppie Nongena* and Hull Truck's *Up 'N Under* (Comedy of the Year) were seen at the Donmar Warehouse, which is under West End management.

Among the plethora of nominations for awards, Leonard Rossiter had been widely tipped *to win a posthumous bouquet* for his performance in *Loot*, and other surprise omissions from the final list are Andrew Lloyd Webber's *Starlight Express* and Ray Cooney's *Two Into One*, which was pipped to the post in the Comedy of the Year category by John Godber's *Up 'N Under*, the ebullient rugby *league play* presented bzy the Hull Truck touring company, one of this year's most revitalised fringe groups.

M.C.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Dec 7–13

Music

ZURICH

Tonhalle: Kammermusiker Zurich. Reger and Bach (Mon); Zurich Chamber Orchestra with Jean-Pierre Rampal, flute. Milhaud, Bach, Quantz and Stamitz (Tue): Munich Philharmonic Soloists. Dvorak and Mozart (Wed); Prager String Quartet. Mozart, Janacek and Smetana (Thur).

WASHINGTON

National Symphony (Concert Hall): Andrew Litton conducting. Weber, Schumann, R. Strauss, Respighi (Tue). Kennedy Center (2543776).

CHICAGO

Chicago Symphony Chorus (Orchestra Hall): Traditional Christmas concert with works by Britten, Praetorius, Poulenc and others, conducted by Margaret Hillis and others (Tue). (4358122).

Chicago Symphony (Orchestra Hall): Daniel Barenboim conducting. Beethoven, Debussy, Scriabin (Thur). (4358122).

NEW YORK

New York Philharmonic (Avery Fisher): Zubin Mehta conducting, Christian Altenburger, violin, Carole Farley, soprano. Schubert, Berg (Tue); Zubin Mehta conducting, Joseph Robinson, oboe. Wolf, Beethoven, George Rochberg Oboe Concerto (world premiere). (Thur). Lincoln Center (7999595).

Musica Sacra Orchestra and Chorus (Avery Fisher): Richard Westenburg musical director. All-Handel programme (Mon & Wed).

Merkin Hall (Goodman House): Julie Bee piano recital. Bach Busoni, Beethoven, Chopin, Prokofiev, Ravel, Liszt (Mon); Ruth Golden, soprano recital. Handel, Argento, Warlock, Delius, Quilter (Tue): Goodman Chamber Choir and The Music Project. Brahms, Persichetti, Beethoven (Wed); Mendelssohn String Quartet. Phyllis Bryn-Julson, soprano. Schönberg, Mendelssohn (Thur). W. 67th Street (3828719).

BRUSSELS

Belgian National Orchestra conducted by Mendi Rodan with Pierre Alain Volondat, piano. Schumann and Rimsky Korsakov. Palais des Beaux Arts (Mon). (5125045).

Amadeus Quartet: Haydn, Britten and Beethoven. Palais des Beaux Arts (Tue).

Bayerische Rundfunks Symphony Orchestra conducted by Colin Davis. Berlioz and Dvorak (Thur).

PARIS

Orchestre Colonne conducted by Janos Kulka with Gerard Poulet: Brahms, Mendelssohn (Mon). Salle Pleyel (581.06.30).

Siegfried Jerusalem recital, Siegfried Mauser, piano: Mahler, Strauss, Schumann (Mon). Théâtre de l'Athenée (742.67.27).

Orchestre National de France conducted by Pierre Boulez, Phyllis Bryn Julson, soprano: Debussy, Ravel, Amy, Messiaen (Mon). Théâtre des Champs-Élysées (723.47.77).

Mstislav Rostropovitch, who conducts the Orchestre de Paris on Wednesday

Ani and Raffi Petrossian, piano: Brahms, Ravel, Arensky, Stravinsky (Tue). Salle Gaveau (563.20.30).

Gaetane Prouvost, violin, Abdel *Rahman* el Bacha, piano: Bach, Prokovfiev, Schumann, Ravel (Wed) Salle Gaveau (563.20.30).

Orchestre de Paris conducted by Mstislav Rostropovitch, with Vishnevskaya, Gedda, Krause: Tchaikovsky – concert version of Yolanthe, 1 act opera (Wed). Salle Pleyel (563.07.96).

LONDON

London Symphony Orchestra conducted by Eduardo Mata. Strauss, Mozart and Dvorak. Barbican Hall (Mon). (6388891).

Philharmonia Orchestra and Choir of Kings' College Cambridge and Philharmonia Chorus conducted by Stephen Cleobury. Carols and music for Christmas including Bach and Charpentier. Royal Festival Hall (Tue). (9283191).

London Soloists Chamber Orchestra and Choir. Mozart. Queen Elizabeth Hall (Tue). (9283191).

London Mozart Players conducted by Jane Glover with Imogen Cooper, piano and Yoshiyuki Nakanishi, bassoon. Mozart. Royal Festival Hall (Wed).

English Chamber Choir conducted by Guy Protheroe. Berlioz Lienfance du Christ. Queen Elizabeth Hall (Wed).

Royal Philharmonic Orchestra conducted by Kurt Masur with Gidon Kremer, violin. Beethoven. Royal Festival Hall (Thur).

Philharmonia Orchestra conducted by Arpad Joo with Hai-Kyung Suh, piano. Mozart, Rachmaninov and Tchaikovsky. Barbican Hall (Thur).

Ronnie Scott's, Frith Street: Singer/entertainer George Melly with John Chilton's Feetwarmers. (4390747).

NETHERLANDS

Amsterdam Concertgebouw. Sir Colin Davis conducting the Bayerischen Rundfunks Symphony Orchestra. Berlioz, Debussy, Dvorak (Tue); Concertgebouw Orchestra under Bernard Haitink, with Jean Decroos, cello. Brahms, Martin, Beethoven (Wed and Thur). Recital Hall (Wed): Peter Frankl, piano, Gyorgy Pauk, violin, and Ralph Kirschbaum, cello. Piano trios by Mendelssohn, Beethoven, Schubert. (718345).

Rotterdam de Doelen. Musica Antiqua of Cologne. Vivaldi, Castello, Legrenzi, Marini (recital hall, Mon); Rotterdam Philharmonic conducted by Edo de Waart, with Dmitri Sitkovetsky, violin. Gabrieli, Bruch, Beethoven. (Tue, Wed and Thur). (142911).

VIENNA

Kyoto Miyamoto, Christopher Norton-Welsh accompanied by Thomas Groger. Julie Ruby, violin, Kitty McEven and Hans Peter Novak, keyboard instruments. Buxtehude, Purcell, Bloch, Langlais and Weber. Bösendorfer Saal (Wed). (656651).

Austrian Chamber Orchestra and Vienna Chamber Choir conducted by Kurt Rapf. Haydn and Mozart. Mariahilfe church (Wed). (42800/2713).

Vienna Symphony Orchestra conducted by Christoph Eschenbach with Krisztina Laki, soprano, Thomas Moser and Helmut Wildhaber, tenor. Heinz Jurgen Demitz, bass baritone, Will Quadflie and Bernd Seebacher. Cherubini, Berlioz and Zimmermann. Konzerthaus (Thur).

New Vienna Baroque Ensemble conducted by Heinz Prammer with Gerhard Biberauer, violin, Walter Sengtschmid, harpsichord. Vivaldi, Tavelli and Covelli. Konzerthaus Mozart Saal (Thur).

The Desert Air/The Other Place, Stratford

Michael Coveney

The Stratford-upon-Avon season enters its final phase with a new play by Nicholas Wright in The Other Place which is a quirkily individual piece none-the-less reminiscent of Brecht via Charles Wood. The unlikely subject matter is the proposed British mission to support Tito in 1942 and the even unliklier setting Cairo, where a madcap Col Gore, known as the Hippo, and riddled with gut ache and a variety of other complexes, is faking Intelligence reports and thumbs-up from Churchill and *the Foreign Office in order to* lead the expedition.

Hippo is a good comic role taken with gusto by Geoffrey Hutchings who projects a jaw-jutting, sideways-articulated mania, legs astride to compensate for a drooping belly which seems to contract and inflate between scenes and which causes the most terrible groans and contortions in the middle of conferences. On the job, Hippo's problems recede, only to be replaced by his resentment of other officers and the pungent memory of his own father's history as a patronised army batman. When the mission is approved, there are some amusing high-jinks as supplies for Greece and Albania are winched out of storage after dark, with Mr Hutchings ("I shall simulate normal behaviour"), face smeared in boot polish, directing operations with barking yelps and spectacularly unnecessary dives for cover.

But with Churchill's nod comes a snooty brigadier and back-seat status for Hippo. These second-act developments of revenge on the Brigadier, post-war epitaphs, at an English breakfast table, and Hippo's apotheosis as a sacrificial hero of the Sicilian invasion, strike me as being slightly manufactured. They replace the more intriguing mystery of the first half, which is not unrelated to the question why the play has been written, let alone performed, in the first place.

Adrian Noble's production leaves little time for such ruminations. It gives the full works to an engaging if uneven piece of work, opening with a spectacular comic coup of splendidly kitted-out officers, a cornucopia of creased khaki and peaked caps, applauding an invisible tank display while Monty (David Whitaker) announces the advance on Rommel at Alamein. Cairo is subsequently seen as less of a theatre of war as a Casablanca-ish background to thwarted passions, loaded night club conversations (the five-piece band and Colin Sell's music come into their own here) and shady deals.

Mr Wright's characters are fictional, though he acknowledges the inspiration of Basil Davidson's *Special Operations Europe*. The scenes with a Yugoslav partisan—in Wandsworth prison after the German occupation and later in Cairo—are less successful than the Dad's Army-like muddle percolating through the ranks from the highest level where Tito is thought to be some sort of Bolshevik acronym.

There is much shunting around of furniture and although Chris Dyer's double end stage of white slatted doors is efficient, one again feels that the only real test of a play like this can be on a large stage.

Hippo's political progress is paralleled with a fellow officer's emotional disintegration, and Peter Eyre is touchingly impressive when his flirtatious Polish emigré wife (Cecile Paoli) tears him apart. In a very fine cast, Nicholas Farrell as a loyal major and Nicholas Woodeson as a tentatively homosexual Jewish captain, are outstanding.

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The Tories' problems

FOR ALL sorts of reasons, Mrs Thatcher's second government loks as if it is reaching a turning point. There has been trouble from within its own ranks and there is probably more to come. Quite soon the Prime Minister and her senior colleagues will have to decide whether to pursue their preferred radical course, or whether to relax a bit. Their decisions will affect the politics of the rest of the decade.

For, whatever the result of the Southgate by-election on Thursday, it does not seem as if there is going to be much serious Parliamentary opposition to the Government in the foreseeable future—except from within the Conservative Party. If the Government cannot explain to its own supporters what it is trying to do, it is likely to be in serious trouble. The fracas over student grants in the last few weeks was a perfect illustration.

Shortcomings

The fact is that that some of the leading members of the Government—Mr Nigel Lawson, the Chancellor, Mr Leon Brittan, the Home Secretary, and Sir Keith Joseph, the Education Secretary, for example — do have a vision of where they want the country to go, but there are two shortcomings. One is that they have not convinced enough people that the vision is the right one. The other is that not enough people believe that it is achievable.

Mr Brittan said in a lecture last week: "It is a vision of society where a prosperous, free people live under the rule of law enjoying the widest scope for choice and the widest range of opportunity." Few would dissent from that as an ideal. But he added: "This vision is not a plan." In other words, there must be a suspicion that it is all being done by hunch.

Successful

As the originator of the medium term financial strategy, Mr Lawson has been more specific. He repeated in the House of Commons last week that the basis of the Government's economic policy was to tackle the relentless upward pressure of public expenditure, to reduce the share of the national income absorbed by the public sector and to bring forward resources for more productive use by private enterprise.

Many governments have sought to do that over the years, Labour as well as Tory, and the present one has been more successful than most. Yet there does come a time when people start to scream if the Government becomes too radical; for instance, if subsidies are withdrawn or existing tax advantages reduced.

Radical

Mrs Thatcher's second administration has reached that stage with a bang. What it has to decide, perhaps in the run-up to next year's budget, is whether to seek to go on being radical or whether, *in the terms of Mr* John Biffen, the Leader of the House of Commons, to "consolidate." There are a lot of consolidators in the Tory Party nowadays.

The question of the control of public expenditure, however, must not be lost sight of. It was one of the key objectives of this government, as it was of Mr James Callaghan before. Mr Lawson says that in the end all decisions on whether to cut this or that programme are political. He is right only in the sense of giving politics a bad name.

Last minute

Those last minute decisions to cut foreign aid or raise prescription charges, which have been so common over the years, do no credit to a government which claims to be in charge of public expenditure. Lord Barnett, a former Chief Secretary to the Treasury, said so in a letter to *The Times* last Saturday, and Viscount Whitelaw, who has presided over the more recent Star Chamber exercises, agrees the present system is a bit creaky.

It ought to be possible for the Government to persuade the country of the need to control expenditure while finding a better way of doing it.

The task which Mrs Thatcher faced at the start was how to make the country live within its means. If after all these years and despite North Sea oil there is still a shortage of resources, the Government may have to go on to more radical reforms, including the whole tax and social benefits structure. It should not be deterred by its own supporters, because no one else will do it.

A rule book for banks

FEW MARKETS these days are quite as global as banking and finance. Yet it is a fact of life in the world of international banking that the players in them do not always campete with each *other on identical* terms. The domestic tax or regulatory regime of a particular country can, by being more or less stringent than the others, give its banks an advantage or a handicap over the rest of the field.

This applies to industries other than banking, of course. But the arguments for wishing to see a "level playing field" in the international banking markets are particularly strong owing to the intangible factors, such as confidence, which underpin them, and the implications for competition of the extent to which a bank may "gear up" its capital. Banks which are allowed the greatest leverage can not only afford to underprice their rivals by substantial margins (and possibly trigger excessive and potentially damaging competition), but can also take on a greater volume of business.

Traditions

International bank supervisors have been grappling with this problem for many years, mainly in the Cooke Committee which meets under the auspices of the Bank of International Settlements in Basle, although the EEC has also produced a draft directive which is under discussion. However, progress towards the goal of, if not uniform, then at least harmonised, standards of bank capital and gearing has been slow.

Supervisors have yet to agree on a definition of bank capital, let alone what constitutes a prudent level of gearing, partly because banking traditions vary greatly between, say, the conservative Swiss banks and the highly geared Japanese banks, but partly too because differing accounting and tax practices play a role.

The Bank of England, with its concern for international banking, has been among the leading advocates of internationally accepted standards. The proposals it put forward last week to cover such innovations in the bank capital market as perpetual floating rate notes (which are a cross between debt and equity) will doubtless be studied closely by other bank supervisors who have yet to decide what to make of them.

Distinction

However, of potentially greater significance is the Bank's decisin to adopt the U.S. system which distinguishes between "primary" and "secondary" capital. The first includes equity or other reserves wholly available to cover losses, and the second covers such items as loan stock which bolster the balance sheet but eventually have to be repaid.

Not only is the distinction sensible, but it means that the UK and the U.S. are on the way to taking a big step towards compatibility. The Federal Reserve is also due to put forward new proposals on U.S. bank capital shortly and it would be surprising if the British and American authorities had not consulted closely on these steps.

However, if the major banking countries are still some distance from compiling a single rule book, they have to recognise that their banks face common risks, such as pressure for deregulation, loss of "core deposits" and the well-known problem of international debt. This can only reinforce the case for pressing banks to accumulate more capital of the highest quality, and treat it prudently.

BRITAIN'S SCIENCE BUDGET

Hard questions for the future

By David Fishlock, Science Editor

BRITAIN'S beleaguered scientists are hastily reshaping their plans after last week's abrupt withdrawal of part of the £70m windfall offered to them by the government only weeks before.

The science budget, which supports academic scientists directly with research grants and indirectly by providing facilities at national and international laboratories, will now be £3m short of the £587.2m expected for 1985-86.

The lost money—a casualty of the fierce row over student grants—may not seem great, but its disappearance is another sign of what Sir Keith Joseph, Secretary of State for Education and Science, has called the "erosion of the science budget." For British science to get the cash it needs to back all the high quality bright ideas emerging from the universities this year's £550m budget would have to double.

The budget — which funds among other things one of *Europe's most powerful lasers* in Oxfordshire and a new infrared telescope under construction on a mountain top in Hawaii—is being eroded at a time when Britain's main trading rivals are stepping up their spending.

The budget is spent in the quest for knowledge, a better understanding of the natural world. It is not "mission-orientated," although that knowledge may be crucial to some national objective such as a way of locating deep-diving submarines, or treating multiple sclerosis, or the discovery of mineral wealth.

The lost money is a casualty of the row over student grants

Scientists decide how to spend the budget. Their "peer review" system for choosing which ideas to back may not be perfect, but few would want it any other way.

The peer review system sorts out the so-called alpha proposals for research grants. A simple measure of the erosion is the proportion of these alpha-rated proposals that fail to get backing for lack of cash. Once Britain could afford to back the best 100 per cent.

Professor John Kingman, chairman of the Science and Engineering Research Council, whose activities account for about half of the science budget (£278.8m this year), says he could support only 74 per cent of his alpha projects last year and was heading for a 60 per cent acceptance rate—until Sir Keith came up with extra money. Now it may be 70-75 per cent again.

Sir James Gowens, secretary of the Medical Research Council (£117.2m this year) has seen his alpha-acceptance rate eroded from 85 per cent in 1982-83 to 53 per cent in 1983-84.

Sir David Phillips, the Oxford biophysicist and chairman of the Advisory Board for the Research Councils (ABRC), which advises Sir Keith on the size and broad disposition of the science budget (see table), says that at current rates of erosion the "volume of science" in Britain will be 25 per cent less in ten years. Prof Kingman believes it could be still less.

One reason for the erosion in the UK science budget is the rapidly increasing sophistication of the equipment scientists need to remain at the frontiers of scientific progress. Defence also suffers from this "sophistication factor," which pushes the price well ahead of inflation.

Tough lobbying by the deceptively mild-mannered Sir David Phillips, his research council chiefs, and Dr Robin Nicholson, the Cabinet Office's chief scientist, persuaded Sir Keith that they had a genuine case for more money. Given government policy of restraint in almost *every other direction*, he had no hope of finding the cash for a substantial expansion of the science budget. But he offered what he called a respite from the erosion—and it was joyously received.

Sir David and his advisers thrashed out a new scheme, proposing that the windfall should be spent in three ways—the restructuring of the science programme to meet a more up-to-date perception of Britain's priorities, the retooling of the laboratories, and the funding of more of the alpha proposals for research.

Sir Keith had left no one in doubt about where he was finding the windfall. It would be found by the more affluent parents in student fees. In return, those students would get better science facilities. In the event, he failed to obtain the cash this way. One senior official of the Royal Society summed it up when he said that, earnestly as he desired more money for science, he did not see why it should come out of his own pocket.

Sir Keith Joseph: scientists persuaded him they had a genuine case

Roger Taylor

In addition to the cut in the budget, scientists also lose part of an extra £20m they were promised through the University Grants Committee, for re-equipping university laboratories. The latest promise is £18m spread over three years, instead of £20m over the next two years.

The net results is that, instead of the extra £70m previously promised over three years, they can now bank on only £29m and must await further Government decisions beyond next year. The accompanying table shows how, until last Wednesday, the science adviers were proposing to apportion their funds next year. Somehow they must now trim the total by £3m.

Of the three ways they propose to spend the extra funds, about half is allocated to new equipment and instruments. One of the most exciting investments proposed is for the Hammersmith Hospital in London, in order to keep it at the forefront of medical "imaging" of the body.

With much of the £2m promised to the Medical Research *Council for new tools, this team* hopes to get three powerful new ways of following living events deep in the body — NMR imaging, NMR spectroscopy, and positron emission tomography (PET) — working in harness. They could afford new hope for victims of stroke, schizophrenia and tumours.

The Science and Engineering Research Council has tended to be the big spender on instrumentation, with its atom-smashers, telescopes and satellites. Ingenious engineering has succeeded in turning two redundant atom-smashers into novel research tools of potential value to a much wider span of scientists—chemists and biologists as well as physicists. They now generate beams of particularly illuminating radiation.

Unfortunately, the cost of conversion—£50m in the case of the spallation neutron source, now close to completion —left little for the extra instruments needed to use the new rays to full effect, £10m in each case. This is where extra *funds are now being channelled*, to allow them "to be used much more effectively at the forefront of science," as the science advisers say.

Another expensive investment is in research to keep Britain abreast of the semiconductor "chips." Instruments for making crystal films so thin they flex like rubber, and piling them into "sandwiches," cost around £500,000 apiece. It could cost £10m-£20m to retool just a handful of the best university electronics departments.

But where is science to get funds for new research facilities needed in a *few* years? For example, the Natural Environment Research Council earlier this year served notice that it needed to find £50m to replace its research vessels over the next 10 years. Its total budget is less than £70m.

All along, Sir Keith has been emphasising to his science advisers that their hopes for the future of British science must rest mainly on internal reforms and not unbridled expansion. The way to fund new ideas—as any good research manager knows—is to cut out older ideas that do not seem to be getting anywhere. In short, the productivity of a given sector of science is the factor that must be taken into account.

This raises an embarrassing problem for basic science. In the days of expanding budgets from the end of the Second World War there was little incentive to measure productivity or to worry about what is now becoming known as the "health" of a science.

Now it is recognised that this kind of assessment is urgently needed.

From the Science Policy Research Units at Sussex University comes evidence that British investment in some areas of science, by international standards, has been poorly rewarded. Among its targets for criticism have been the low productivity of optical astronomy and high energy physics.

The science advisers plan to triple the research on the health of British science, by spending about £150,000 next year.

Prof Kingman, whose research council absorbs about half the science budget and is thus a prime target for cuts, acknowledges that the money needed to do everything for which his scientists clamour world be "astronomic."

Next Easter, an independent scientific inquiry into the £50m a year his council spends on high energy physics (atom-smashing), including Britain's subscriptions to CERN, the international laboratory near Geneva, is expected to report. Similar exercises are in hand for astronomy and space science.

Industry has to become more involved in university research

Can one imagine a new patron for science—or some sectors of science—other than Sir Keith's department? Prof Sir Hermann Bondi, retiring chairman of the Natural Environment Research Council, predicts direly that Britain "will have to pay dearly in future years" for the failure of most government departments to fund the longer-term kinds of research.

But Sir Andrew Huxley, president of the Royal Society, *warns universities that they* have grown too dependent on government largesse.

Industry must become more involved in university research, and universities should do more research relevant to industry, Sir Andrew says.

Sir Andrew applauds the way university engineering departments are making up much of their shortfall in research funds by getting industry to fund them instead. Of the alpha-rated research proposals in engineering science that failed to get research council funding last year, 30-40 per cent were later funded by industry.

"On the whole, I regard this as a healthy development," Sir Andrew says.

THE CASH AVAILABLE

	1984-5 £m	1985-6* £m
Agricultural and Food Research Council	46.50	50.40
Economic and Social Research Council	22.00	23.75
Medical Research Council	117.20	123.10
Natural Environment Research Council	65.90	69.40
Science and Engineering Research Council	278.80	299.10
Other commitments†	19.33	21.45
Total	549.73	587.2

* These figures must now be trimmed by £3m
† Including the Royal Society and Fellowship of Engineering

Men and Matters

A place in the sun

President Mitterrand—like Mrs Thatcher before him—has decided that his government needs an extra pair of hands to help develop new job oportunities.

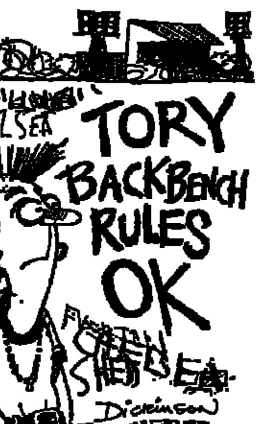
In the minor reshuffle last Friday, he brought in one of France's most successful and dynamic entrepreneurs, Gilbert Trigane, chairman of Club Mediterranee, the world's largest leisure group.

With Jean Ribout, chairman of the Franco-American multinational Schlumberger, Trigane has long been one of the President's most trusted industrial advisers. He has been tipped for office ever since the Left came to power in 1981.

Once a Communist journalist, Trigane helped found the Club Med in the 1950s. He still holds leftwing views—but has thrived more as a captain of industry. His group has developed into a multinational affair from its *simple concept of "sun, sex and* sea."

As special adviser to Prime Minister Laurent Fabius, Trigane's main task will be to identify new areas of unemployment in high tech and other future growth sectors. He believes there is considerable scope in the service industries in which he developed an expertise. Trigane was earlier called on by Mitterrand to organise the now-deferred 1989 World Exhibition in Paris as well as vacation schemes for the young under-privileged.

To the Right-wing opposition, his appointment is what the French call "un gadget." Cartoonists have already made the most of it—depicting him rolling up at a Cabinet meeting in Bermuda shorts and beads, telling everyone else to strip off. But Trigane is unmoved by it all. He belives he has some practical ideas to contribute.



Diplomatic goal

There may not be any formal diplomatic, *trade, or cultural* relations between Britain and Argentina — but there is still football diplomacy.

No sporting contest between two countries since the Falklands was had arounsed more publicity and interest in Argentina than the final of the world club championship played in Tokyo yesterday between European champions Liverpool and South American champions, Independiente of Argentina.

The 1—0 defeat of Liverpool will be fully savoured in Buenos Aires — but the fairly fought game itself was a triumph for the pep-talk which Argentine President Raul Alfonsin gave his players.

He invited the Argentine team to the presidential palace before they left for Tokyo. "Play with the determination the game demands," Alfonsin exhorted them. "But also try and demonstrate that we are not the aggressors. We are not seeking a violent revenge."

Most of the now-celebrating Argentines will, of course, have forgotten Independiente's origins — the club was founded in 1905 bythe employees of a British-owned clothing store.

Carmen's opening

"Just like the old days," said the chairman of a major Italian company, as he dodged eggs being thrown by redundant Alfa Romeo workers and entered the foyer of Milan's Scala opera house.

"Like 1968 when the hippies were protesting about our black ties and evening gowns," said a sprightly woman in sequins, also making it safely through the doors.

Italy's social event of the year — the opening of the opera season on Friday night — brought out some 400 former Fiat and Alfa car workers as well as the usual glittering audience, presided over by *President Sandro Pertini and* Prime Minister Bettino Craxi, for Carmen.

Inside, six tiers of boxes were festooned with flowers. U.S. Ambasador Maxwell Robb danced an impromptu tango with a young fashion journalist.

There was applause for tenor Placido Domingo and the cast. Conductor Claudio Abbado received more cheers than the Head of State. But the American Shirley Verrett was booed from the gods by the city's demanding afficiandi.

"I think be voice is a bit weak," remarked Romeo Dall Ciessa, chairman of the Banco Di Roma. "A lovely evening." was the verdict of Dr Carlo Ciampi, governor of the Bank of Italy.

Globe-trotting banker and socialite, Mario D'Urso explained the absence of his guest, Dr Henry Kissinger. Apparently the former U.S. Secretary of State had been circling Milan's fogbound airport in a private jet, lent by James Robinson, American Express' chairman, and was then forced to retire to Paris.

But what was one absentee? "We have enough of our own stars here," sniffed one Milanese industrialist.

New order

A West Berlin mail order firm, called New World, which caters for the political far-Left, has issued its first Christmas catalogue on both sides of the Wall.

If its contents are any guide, fashionable activists next year will be wearing a lof of jewellery — DM81 hammer and sickle ear-rings, gold and silver doves of peace as charms and lockets, ranging from a mere DM12.80 to DM118.

They will be reading lots of books on El Salvador and Nicaragua. "Ten days inside Nicaragua as a Guest of the Sandinista Government," one blurb praises, jerhaps uncritically.

For next year's holidays, somewhat surprisingly, the catalogue's customers are encouraged to go to the U.S., Acapulco, Greece and Majorca.

But there are ideological idylls on offer as well — two weeks "on the beach" in Cuba for DM2,232, a 16-day trans-Siberian rail trip for DM2,348, and 23 days in China for DM6,245.

The activists' mania for stickers and posters will again be well provided for next year. But a little humour does shine through. One car-bumper sticker reads: "Honking is useless, the drive is remote-controi steered by Moscow."

View hulloo

Richard Rogers, architect of the Pompidou Centre in Paris, has provoked at least one intriguing question with his design of the new Lloyd's building, with its external lifts, in the City.

The chauffeur driving Lloyd's chairman, Peter Miller, to work the other day, looked up at the cabins suspended over Leadenhall Street. "Why . . .," he asked, does the world's most advanced office building have outside lavatories?"

Observer

BASE LENDING RATES

A.B.N. Bank	9½%	C. Hoare & Co. †	9½%
Allied Irish Bank	9½%	Hong Kong & Shanghai	9½%
Amro Bank	9½%	Johnson Matthey Bkrs.	9½%
Henry Ansbacher	9½%	Knowsley & Co. Ltd.	10½%
Armco Trust Ltd.	10½%	Lloyds Bank	9½%
Associates Cap. Corp.	10½%	Mallinhall Limited	10 %
Banco de Bilbao	9½%	Edward Manson & Co.	10½%
Bank Hapoalim	9½%	Meghraj and Sons Ltd.	9½%
BCCI	9½%	Midland Bank	9½%
Bank of Ireland	9½%	■ Morgan Grenfell	9½%
Bank of Cyprus	9½%	National Bk. of Kuwait	9½%
Bank of India	9½%	National Girobank	9½%
Bank of Scotland	9½%	National Westminster	9½%
Banque Belge Ltd.	9½%	Norwich Gen. Tst.	9½%
Barclays Bank	9½%	People's Tst. & Sv. Ltd.	10½%
Beneficial Trust Ltd.	10½%	R. Raphael & Sons	9½%
Brit. Bank of Mid. East	9½%	P. S. Refson	9½%
■ Brown Shipley	9½%	Royal Bk. of Scotland	9½%
CL Bank Nederland	9½%	Roxburghe Guarantee	10 %
Canada Perm'nt Trust	9½%	Royal Bk. of Scotland	9½%
Cayzer Ltd.	9½%	Royal Trust Co. Canada	9½%
Cedar Holdings	11 %	■ J Henry Schroder Wagg	9½%
■ Charterhouse Japhet	9½%	Standard Chartered ‖	9½%
Choulartons	11 %	Trade Dev. Bank	9½%
Citibank NA	9½%	TCB	9½%
Citibank Savings ¶	10½%	Trustee Savings Bank	9½%
Clydesdale Bank	9½%	United Bank of Kuwait	9½%
C. E. Coates & Co. Ltd.	10½%	United Mizrahi Bank	9½%
Comm. Bk. N. East	9½%	Westpac Banking Corp.	9½%
Consolidated Credits	9½%	Whiteaway Laidlaw	10 %
Co-operative Bank *	9½%	Williams & Glyn's	9½%
The Cyprus Popular Bk.	9½%	Wintrust Secs. Ltd.	9½%
Dunbar & Co. Ltd.	9½%	Yorkshire Bank	9½%
Duncan Lawrie	9½%		
E. T. Trust	10 %		
Exeter Trust Ltd.	10 %		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	11 %		
■ Robert Fleming & Co.	9½%		
Robert Fraser & Ptns.	10 %		
Grindlays Bank ‡	9½%		
■ Guinness Mahon	9½%		
■ Hambros Bank	9½%		
Heritable & Gen. Trust	9½%		
■ Hill Samuel §	9½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 6.25%. 1 month 7.00%. Fixed rate 12 months £2,500 8.75% £10,000. 12 months 9.00%.
† 7-day deposits on sums of under £10,000 6¼%. £10,000 up to £50,000 7¼%. £50,000 and over 8%.
‡ Call deposits £1,000 and over 6¼%.
‖ 21-day deposits over £1,000 7¼%.
§ Demand deposits 6%.
¶ Mortgage base rate.

FOREIGN AFFAIRS: ARMS CONTROL

Hawks, doves and no agenda

By Ian Davidson

JUST ABOUT a year ago, shortly after the deployment of the first Euro-missiles, the Russians walked out of the nuclear arms talks in Geneva. Next month, sooner than most people would have predicted, the superpowers will try to make a fresh start in their dialogue on arms control, at a meeting between their foreign ministers in Geneva.

So far as it goes, this ought to be a step forward. Dialogue must be preferable to no dialogue, if it implies a willingness on both sides to ease off from confrontation. But it would be prudent not to pitch expectations too high.

Rapid progress towards an agreement can probably be ruled out right away; U.S. Administration spokesmen have already warned us *not* to expect that much. The January meeting will not mark a simple *resumption* either of the Strategic Arms Reduction Talks (Start) or of the Euro-missile negotiations which were broken off a year ago. Instead, it will be the beginning of an entirely new approach, which the Americans call "umbrella" talks, with a wider but indeterminate agenda. The first problem facing the super-powers will be to negotiate on this agenda.

The Warsaw Pact foreign ministers have recently welcomed "the agreement reached by the Soviet Union and the United States to hold talks on the entire complex of questions

The superpowers are facing a blank sheet of paper

concerning nuclear and space arms;" and they went on to spell out in more detail what they see as the purposes of the meeting: "the strengthening of strategic stability, the prevention of the militarisation of outer space, the lowering of the level of nuclear confrontation in Europe and in the world as a whole, by way of reducing both strategic and medium-range nuclear arms."

Well, that's splendid, then; at least the Russians are no longer refusing to discuss strategic nuclear forces, nor demanding as a pre-condition that the American Euro-missiles must be removed before negotiations can be resumed. And perhaps the Geneva talks should be about all the things that the Wawsaw Pact says they should be about. But I am not at all confident that there can yet be said to be an *agreement* on the agenda for Geneva.

Indeed, the first and perhaps the only item on the agenda in Geneva will be to start talking about the agenda for future negotiations: what military capabilities, present or future, are up for negotiation, with what objectives, and by which rules and procedures. In some sense, the superpowers are facing a blank sheet of paper, and are having to ask themselves, and each other, three rather difficult questions: what are arms control negotiations for; do they serve any useful purpose, on the historical record; and what, specifically, can be done now?

Answering these questions will not be a short or painless process. But there is a second reason why the Geneva meeting is unlikely to lead to rapid progress towards an agreement, and this is that the U.S. Administration does not have a unanimous answer to them.

In President Reagan's first term we became accustomed to the idea that arms control policy in Washington was a twin-track affair: in the foreground a series of presidential announcements, whose only consistent characteristic was that they sounded simple and appealing on television; in the background a continuous bureaucratic struggle between the hawks and the arms controllers.

During that first term, the bureaucratic struggle was *not* finally put to the test. Before the President could be forced to decide whether to fish or cut bait, the Russians walked out of the negotiations in Geneva. One is tempted to say, with hindsight, that this was characteristically short-sighted of them; they would have had much more grounds for a tantrum if they had waited three months, for his *ill-considered* speech launching the Star Wars dream. But then, perhaps, they had not properly studied Ronald Reagan.

Today the good news is that President Reagan seems to be trying to take the arms control issue more seriously; it is even possible that now, for the first time, he has accepted that he needs to crown his career with an agreement with the Russians. Mr George Shultz, the U.S. Secretary of State, who seems to have been a strangely marginal figure during the Start and Euro-missile talks, appears to be in the ascendant in the preparations for the "umbrella" talks in Geneva. Mr Paul Nitze, the arch-veteran of U.S. arms control, and mistrusted by the hawks as a man dangerously liable to look for a negotiable agreement if he could find it, has been appointed special adviser. These and other key figures in the administration have been holding intensive, and secret, discussions to prepare for the Geneva meeting. Perhaps arms control is, after all, a serious purpose, not just a public relations exercise.

Hugh Routledge

Mr Gromyko, Soviet Foreign Minister (left) and Mr Shultz, U.S. Secretary of State, at the White House in October

The bad news is that the fundamental policy struggle remains unresolved at the working level. For the time being, all the key figures remain in their previous places in the Washington political firmament; Mr Richard Perle, the arch-hawk known by the arms controllers as the Prince of Darkness, is still in his pivotal position at the Pentagon. If the participants in the pre-Geneva discussions have been bound by vows of silence, it is less to conceal America's negotiating position from the Russians than to hide the profound differences within the Administration. Some believe that the battles will be even fiercer than before, because the hawks may fear that this time the President *might*, conceivably, be genuinely committed to the arms control camp.

In the short history of arms control negotiations, no bargains have been struck without the intervention of the U.S. President. The critical question facing advocates of arms control, in the U.S., in Europe and in the Soviet Union, is whether it will be possible sufficiently to engage President Reagan's attention in the intellectual complexities of *military strategy to make a* decisive contribution to what has hitherto been an anarchic bureaucratic brawl. On the evidence of the past four years, it is straining credulity to imagine that Ronald Reagan, in his mid-70s, will suddenly acquire new work habits. On the other hand, one should not despair; we could be in for a surprise.

It may seem disingenuous to claim that the super powers are facing a blank sheet of paper as they approach the January meeting. For one thing, there are reams of paper describing how arms control has been handled in the past, and these precedents canont fail to influence the current set of antagonists; on both sides there are acquired expectations about procedures, about the arguments, and about the methods of calculating profit and loss.

For another, there is a degree of inevitability about the eventual negotiating agenda. The Russians are disturbed by the destabilising implications of President Reagan's Star Wars plans for anti-missile defences, and are set on negotiations to control space weapons. The Reagan Administration is worried (with less justification) by the Soviet advantage in accurate multi-warhead land-based missiles, and is particularly keen to secure reductions in the Soviet Union's offensive capability. If there is a negotiation, it will have to encompass both offensive and defensive capabilities, in one way or another.

But while this proposition in its simplest form is by now self-evident, its detailed application to the negotiating process is far from clear. The Russians want to curb the new American anti-satellite weapon programme, and President Reagan has implied that he might consider a moratorium on it during negotiations. But is he also prepared to renounce his anti-missile defence programme, if that turns out to be the price of a deal with the Russians?

The best hope for the Geneva process is that it should include an analytical attempt to reach agreement on those elements of the arms control portfolio which are really useful in maintaining mutual security, and those which are less useful. Critics of the nuclear arms control record *fall* into two categories. On the one hand, the arms control lobby claims that the Salt I and Salt II agreements have entirely failed to halt the arms race: since 1972 the numbers of ballistic missile warheads have mushroomed on both sides. On the other hand, right-wing Republicans complain that Salt II sanctified advantages in the Soviet arsenal.

But the more hard-headed criticism comes from those who argue that the nuclear forces of both superpowers are so enormously redundant that arms control is in practice not required to maintain stability. It might not matter all that much if the Russians had twice as many warheads as the Americans: the U.S. would still have more than enough to ensure a crippling retaliatory strike. Conversely, it is not obvious that the world would be safer if the superpowers reduced their missiles by one third, as proposed by the U.S. in the Start talks.

This is the line that Professor Lawrence Freedman takes in his essay in a new book, Armed Peace*: "It is my contention that the strategic issues at stake in the arms talks are certainly *not of cosmic,* and might not even be of marginal, significance. The nuclear relationship is stable, in that neither side could enter war conscious of anything other than the most horrific possibilites."

More surprisingly, this thinking is also reflected in the decision of Senator Barry Goldwater, new chairman of the Senate Armed Services Committee, to oppose the MX missile programe. "I'm not one of these freeze-the-nukes nuts, but I think we have enough, I think they have more than enough and I don't see any big sense in going ahead building."

On the other hand, most dispassionate judges say that the Anti-Ballistic Missile Treaty, with its limits on defensive systems, has been useful in sustaining stability through

If the Russians had twice as many warheads . . .

mutual vulnerability. It is this treaty which could be threatened by the U.S. Star Wars programme.

Aside from the technical arguments, the arms control process has now come to assume, in the world's public opinion, enormous importance as a barometer of the political relationship between the superpowers. Arms negotiations should *require, and may be a sign of,* some lessening of tension. In this case, the judgment of the man in the street may be sounder than that of some of the experts.

**Armed Peace, edited by Josephine Howe, Macmillan £22.50.*

Lombard

'I should have such worries'

By Samuel Brittan

A NEW LINE of scaremongering is now fashionable among some City scribblers and MPs. This is that sterling will *rise* against the dollar in 1985.

This was no misprint. I did say rise and not fall. For the new fear is that if the dollar weakens, Treasury revenues from North Sea oil will fall and thus remove the possibility of new tax cuts—now conservatively estimated by the Treasury at £1.5bn—from the next Budget. This fear looms large, in the Treasury committee's report on the Chancellor's Autumn Statement.

If this were all the Chancellor *had to worry about,* his would be a very easy job indeed. For years and years finance ministers, central bankers and assorted pundits have moaned about the high exchange rate of the dollar, but have been at a loss to know what to do about it.

By and large they have been right. For although blaming America for Europe's economic ills is too popular and buck-passing a *sport,* a fall in the dollar against the world's main curencies would probably be beneficial.

Import prices in Europe and Japan would fall, although by nothing like as much as the drop in the dollar. Probably more important, central banks outside the dollar area would be less inhibited about pursuing easier money or lower interest rates policies.

Do these benefits not apply to Britain because of the existence of North Sea oil? It would be astonishing if it were so.

Take for instance the oft-repeated assertion that a 10 per cent drop in the dollar against sterling would wipe out the £1.5bn of tax cuts now projected. This would be true, as the Treasury's economic adviser, Sir Terence Burns, forced the Committee to admit, onl if *(inter alia)* the price of oil in dollars remained unchanged, so that the sterling oil price fel by 10 per cent too.

It would of course be extraordinary for a fall in the dollar to fail to strengthen the oil price as conventionaly denominated. The oil price is expressed in dollars, but the state of the oil market and the strength of Opec are ultimately expressed in the real price of oil, that is its price in terms of other products. One reason why the dollar denominated oil price has been weak this year is that the dollar has been strong.

In real terms it is doubtful if there has been much, if any, fall. If the dollar were to weaken, then, in any given condition of the oil market, the dollar price of oil would rise.

Let us suppose that the oil price effect were less than 100 per cent. Then UK oil revenues would be slightly less than now projected, although the difference would be nothing like £1.5bn. But to look at the revenue effect alone is one-eyed economics. The 1985 inflation rate would be lower, not only because of lower oil prices, but because of lower prices of other dollar-influenced imports. Economic activity would be higher as already explained because of lower interest rates in Europe and Japan — which wold be likely to outweigh any offsetting tightening in the U.S. itself.

The odds are, then, that even if tax cuts were smaller, the UK standard of living would rise; and people care about their real take-home pay rather than whether that has increased because of lower inflation, less tax or improved economic activity.

It is in fact extremely unlikely even that tax cuts would be any the less. They could even be greater. The Government's medium term Public Sector Borrowing Requirement targets are meant to be only illustrative and approximate. In the assumed circumstances the Chancellor and his advisers would almost certainly conclude that they could afford a moderately higher PSBR without unacceptable consequences for inflation or interest rates.

The Government is partly itself to blame for the phoney scare. First it has put too much emphasis on tax cuts as ends in themselves rather than as a means to improve real take-home pay or increased personal choice. Secondly, it has put too much emphasis on intermediate targets such as the PSBR and the monetary aggregates.

After all, the small print of the official documents and even some of the Government's own actions show that these famous targets are merely means towards the non-inflationary management of demand and, as such, need to be adjusted in the light of circumstances.

Why not then say so, loudly and clearly?

Letters to the Editor

So who owns Telecom?

From Roger Buckland

Sir,—Congratulations on your leader of December 4 regarding British Telecom. I would suggest that it ampuly reinforces the case made by Professor Davis and myself earlier in the year for treating privatisation issues differently in order to avoid this tightrope of famine od feast. It seems, sadly, to take many 'post mortems' ofi ssuing failure and bad advice to provoke change in the City. Perhaps some figures would help.

If there are 6bn shares in British Telecom, I notionally '*owned*' 110 of them (in round numbers). My government has sold 55 for a gross return of £71.50 and at a cost of £6.05 in vouchers, free shares and fees to bankers, brokers, etc. The Stock Exchange agrees that such shares are worth (fully-paid) a total of £95.70. The suggests that I, along with every other person in Britain and Northern Ireland, have paid *£30.25 for Telecom's sale. In round numbers,* an aggregate of £1.65bn.

The most important point is that no one, at any time, has given any justification that the supposed benefits from privatisation will make me £30 better off: remember that gross national income would have to increase permanently by some £150m per year to achieve that.

Should we not know the basis for the Government's claims that privatisation "works": should we not know how they have decided that it is worth the price?

I could have protected my personal stake by buying my notional shares myself. Unfortunately, many millions of children, pensioners, benefit claimants, unemployed, the sick and the financially unsophisticated have neither the cash nor the expertise to repurchase their shareholding.

As a result, *their £30 have* been transferred to some of the 2m "new" shareholders. Who has benefitted from this vast redistribution of wealth, this concentration of ownership? 47 per cent of the issue was secured by underwriters, so we each gave £10.86 away here.

Since much of their gains accrue to the beneficiaries of pension funds or insurance companies, *there is nothing for the* benefit claimants, but some for me and for pensioners in private schemes. Fourteen per cent was sold overseas: £3.23 per man, woman and child in the UK, given to the financial sectors of Japan and the U.S.

R. Buckland,
Lecturer in Finance.
University of Aston Management Centre, Birmingham.

Bought a good book?

From Mr M. E. Corby

Sir,—Mr Cownie (Dec. 4) is mistaken in his view that the book trade operates "a rigid restrictive practice of price maintenance." There are two classes of books: net books where there is a minimum fixed price; and non-net books which have a recommended price.

The net book agreement exists to enable the trade to produce and stock a wide range of titles. Price as distinct from service competition for books would probably result in the *production of fewer* titles as the trade would concentrate on fast moving titles. Far from assisting the growth of literacy or improving the quality of titles the abolition of the net book agreement would tend to have the opposite effect.

The trade is unlikely to concentrate on providing "rubbish" in this event because quality sells best, as a glance at the best seller lists would have told Mr Cownie. However, it would make the production of first novels, poetry, and specialist titles more difficult. In this area production runs are already small and further cutbacks would raise unit costs to levels where many of them become uneconomic.

Similar arguments apply in the case of VAT. Margins in the trade are small. Our successes rightly receive acclaim but they have to carry the majority of titles and the flops. VAT on books would depress demand and unbalance the economics of the trade.

The cutting back of the range of titles and production runs would, in turn, result in fewer outlets. These factors would then work their way through to the export trade where the UK trade *often has to fight* against competitors receiving a variety of subsidies and assistance from their governments.

The case against VAT on books is an economic one. The book trade is a thriving industry, providing a wide variety of employment and making a substantial contribution to the balance of payments with a minimum of state assistance.

M. E. Corby
Chairman, Communications Education Services
137 Dulwich Road
London SE24

Efficient use of energy

From Mr J. Wallace MP

Sir,—I am grateful to Peter Walker's adviser, Jim Potter, for writing (November 19) to point out that the apparent wide differences of opinion between myself and British Gas upon the impact of its sales programmes are more a matter of *degree than of fundamental* principle. Given British Gas's welcome endorsement of my own earlier call for a positive energy conservation policy, I am sure he must be right.

Over the past decade, British Gas has managed to increase the availability and consumption of gas within our homes, and in so doing succeeded in dominating the residential heating market. If its new sales campaign is successful, it will result in a further increase of 13.5 per cent in the amount of gas consumed annually in British homes. During the last ten years, however, overall residential energy consumption has remained constant.

As part of his drive to make Britain the most energy efficient nation in Europe "*within the* lifetime of this Parliament," Peter Walker, the Energy Secretary, is promoting the concept of reducing our nation's energy consumption by a minimum of 20 per cent.

Of course such an objective could arguably be compatible with British Gas' own target, but only if the other major *residential fuels*—solid fuel and electricity—were deliberately restricted from seeking to improve their already much-diminished market shares. Certainly so far as the latter fuel is concerned, the aggressive sales campaigns have given no hint of any wish to do so voluntarily.

Stuck in between these two fuel giants—both arguing they are the most efficient, both blatantly seeking to expand their own sales—is the poor, wretched consumer who is required to underwrite both the high-pitched marketing campaigns and eventually the substantial capital investments required to provide the fuel for future years.

Within the next 15 years, as well as its Norwegian Sleipner purchase, British Gas also wishes to develop 45 new British Gas fields; and the Central Electricity Generating Board maintains it needs to build the equivalent megawatt power of eight further Sizewell Bs. While the likely costs of such projects are not yet known, they will inevitably be enormously expensive involving the nation in the expenditure of many, many billions of pounds.

Like the House of Commons Select Committee on Energy, I remain amazed that so long after the first oil crisis, nobody officially (whether within the fuel industries, or in their sponsoring government department) appears to undertake any formal studies to establish the extent to which investment in energy conservation measures might be more cost-effective than investment in such new supply sources. It must be in the national interest that they are done, and soon.

Jim Wallace.
House of Commons, SW1.

Forecourt rescue

From the Senior Solicitor, Total Oil Great Britain

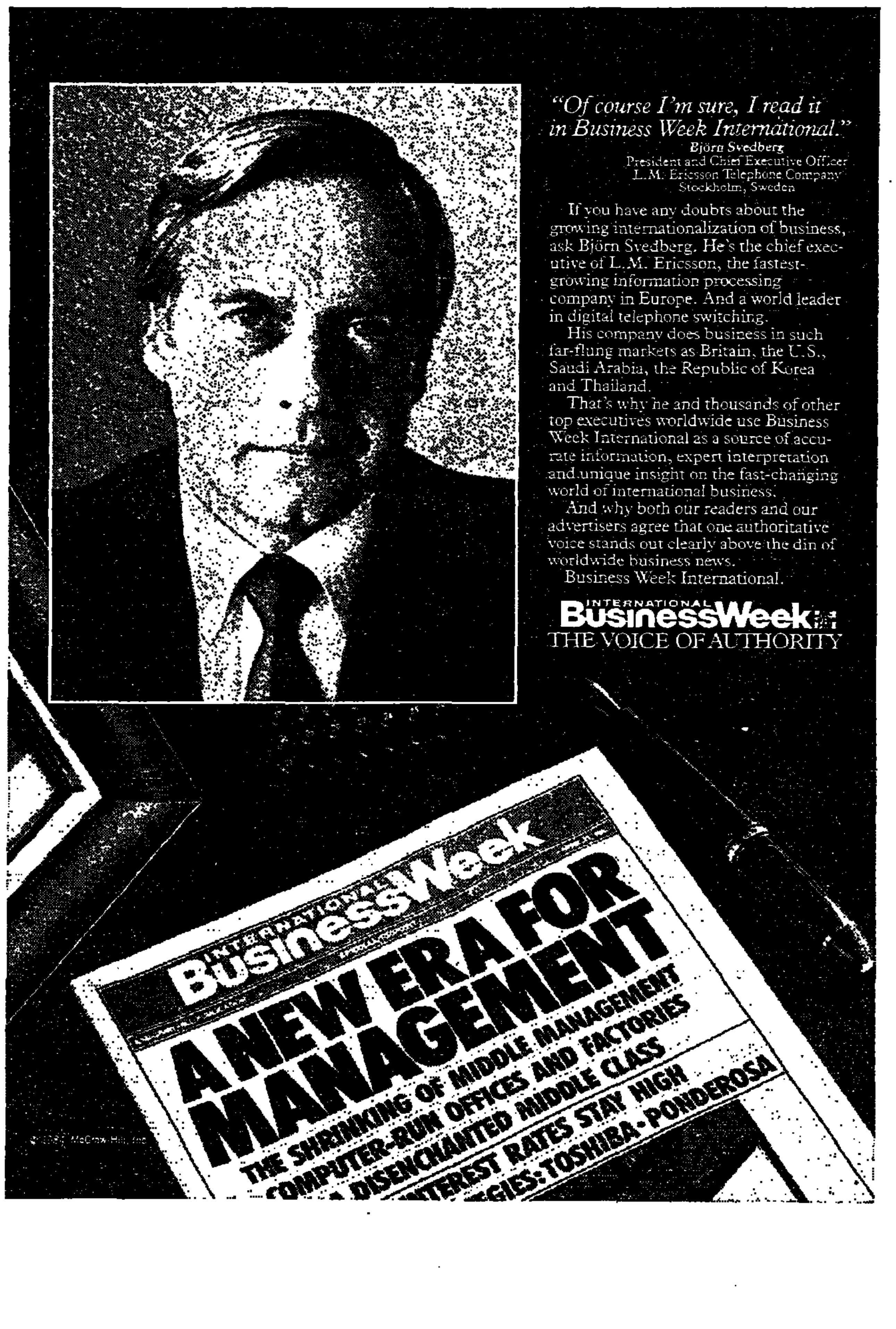
Sir,—Mr Hermann (November 29), in his commentary on the Court of Appeal decision in Alec Lobb (Garages) v Total Oil Great Britain, omitted to mention two significant facts. The first is that the premium of £35,000 paid by Total for the grant of the 51-year lease represented the full market value of that lease, subject to the 21-year sub-lease, as determined by a professional valuation carried out at the time.

The second is that the 21-year sub-lease contained a clause entitling either party to break the sub-lease, and consequently to terminate the tie, at the end of the 7th or 14th year of the term. Accordingly the tie was only for a definite period of seven years which, in the circumstances of the case, was considered by the Court of Appeal to be reasonable. It is true that exercising the break clause would have meant giving up the right to trade from the petrol station but, as Lord Justice Dillon pointed out in his judgment, Alec Lobb (Garages) had already received the substantial value of that petrol station by way of the premium paid by Total for the lease.

The emotive comparison of this case with a shipwrecked man being rescued only against a promise of a 21-year servitude is misleading. I certainly agree that such a promise would not be enforceable but neither would a promise, given in similar circumstances, of a 5-year servitude or even a 1-year servitude.

It is important to bear in mind that the judgment was based on all the circumstances of the case not just those points highlighted by Mr Hermann.

M. F. Symonds.
33, Cavendish Square, W1.



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FINANCIAL TIMES
Monday December 10 1984

OVERSEAS MOVING BY MICHAEL GERSON
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Terry Byland on Wall Street

The block trades build up

IT WAS a hectic week for Wall Street's block traders, those hardy souls who specialise in buying or selling massive parcels of stock without driving the price too strongly against their own interests. A stock market not always sure where it was going was often featured, if not dominated, by dramatic trading in a few highly specialised situations.

The week opened with the turnover of about two thirds of the British Telecom issue on its first day. By Friday night more than 24m of its ADRs had been turned over in New York. Only 18m are in issue, so some changed ownership twice within the week.

About a fifth of Union Carbide's equity was turned over, worth anything between $550m and $730m in terms of market capitalisation. Union Carbide is clearly a special situation at present. The footprints of the block traders and the third market firms that concentrate on the big deals are disclosed more clearly in the market's current frenzy of takeover speculation.

Nearly 10 per cent of the equity of Phillips Petroleum was traded last week as Mr T. Boone Pickens crowded the directors against the ropes. Mr Irwin Jacobs's attack on ITT reached a crescendo when there was a clash of opinions over the reporting of a big deal in ITT stock.

The boom in block trading in U.S. securities markets has become an established part of the investment scene. According to the New York Stock Exchange (NYSE), block trades – defined arbitrarily as deals in 10,000 or more shares – have risen from a mere 16 per cent of monthly turnover in 1971 to 49.2 per cent in November, after peaking at 51.2 per cent in June this year.

The picture is no different in the electronically based market of the National Association of Securities Dealers (Nasdaq). Blocks of 10,000 shares or more traded on Nasdaq's national market system represent about 40 per cent of the monthly total. The national market system represents about 57 per cent of Nasdaq's total operation.

The growth in block trading reflects several factors in a changing U.S. securities industry. The preeminence of the institutional investors, now the originators of as much as three quarters of daily turnover on the NYSE, is one. Traditionally, the private investor reasserts his presence when U.S. markets are in a bull phase, but the NYSE statistics indicate that the great growth in block trades came in the 1982–83 bull market.

A boost to the large traders has been the spectacular takeover battles of the past few years. As the size of bids has increased from $1bn to over $10bn, so have tactics changed.

The massive financial investment involved in the oil industry bids has stimulated the need for speedy accumulation of blocks of stocks by trading firms acting as agents, as well as by the straightforward arbitrageurs acting on their own behalf as principals.

The emergence of the block trading market has, in turn, stimulated the appearance of the so-called third market, where stocks of quoted firms are traded off the market floor. Third-market firms, of which Jefferies is by far the biggest, aim their attentions almost entirely at institutions or very large private investors. Jefferies is not a member of the NYSE, although it has been. Last week's scrimmage in ITT stock was resolved on Friday when Jefferies reached an acceptable understanding with Mr Irwin Jacobs and dropped any further dispute with the NYSE.

Mr Jacobs, and Jefferies, his broker, believed he had bought 1.8m of a 2m block of ITT stock; the insistence of the specialist that he had traded only 500,000 shares was borne out when the books were examined. Jefferies was able to find the balance of the stock at a price acceptable to Jacobs, so there the matter rests.

Tribal rites on an unpacific isle

Jurek Martin watches Melanesians bury their dead in New Caledonia

THERE IS a green hill far away – very far away. It is called Tiendanit and it is a Melanesian tribal burial ground in a distant northern corner of the remote island of New Caledonia, in the middle of the Pacific Ocean, on the Tropic of Capricorn. It is none the less part of France.

Here, on Saturday evening, as dusk fell under scudding rain clouds, 10 Melanesians, or Kanaks, murdered 72 hours before in an ambush, presumably by French settlers, were laid to rest. The origins of the burial rituals are a matter for the Kanaks themselves and for social anthropologists, but their impact was universal.

The future of New Caledonia – independence, greater autonomy, or retention of the territorial status quo – is a deeply divisive political issue in France.

Increasingly, as attitudes harden, it is seen as a matter of life, liberty, and regrettably, death to the 62,000 Melanesians and 54,000 Europeans who make up 80 per cent of the island's 145,000 population.

On Saturday, in the ancestrall burial grounds, there was a brief respite from high and low politics and principles. Perhaps television has inured us all to grief, at home and in far-flung corners of the world, but there was *something* unforgettable about these funeral rites.

They were, if nothing else, something that New Caledonia had not seen for 67 years, not since the 1917 rebellion led by the tribal chief Noel had been crushed.

The first thing that struck us as we trudged up the last few hundred yards of the muddy track from the village of Hienghene 15 miles away – a trip we would never have made but for the kindness of a Kanak with a pick-up truck – was the noise. A high and low-pitched keening and wailing drifted down on the breeze and continued unabated for hours.

The church, at the top of the grassy hill, was the soul of simplicity – concrete blocks, open at the sides, a tin roof and earthen floor. To one side, the 10 graves were still being dug by Kanaks stripped to the waist as the funeral in one of the eight Kanak languages, in French and even, fleetingly sung, in Latin, progressed. Laments were mixed with prayers, a strange but somehow perfect ecumenical model.

The mood of the crowd of several hundred was one of ineffable sadness but, miraculously, not anger. The congregation was, naturally, mostly Kanak, many of the women and young girls in print floral dresses – some carrying wreaths of violets, iris and bougainvillea that would have made a professional florist proud – the men and boys in T-shirts, jeans and shorts, many heavily bearded, a few sporting Rastafarian dreadlocks.

Even in their grief, they were polite, almost painfully so, far more than is the wont of their French mentors, or, as some of them see it, oppressors. I asked one where he had come from and he replied, briefly, "*Loin*" (far). To have asked more, one sensed, would have been an intrusion.

There were some white faces there, too, less reticent: a local hotelier, utterly French, born in Orange, but 30 years in New Caledonia. Henry (not Henri) Fairbank – his grandfather was British – had had his own simple but lovely little resort on the seaside next to the grass airstrip set alight but salvaged with little damage only days before. He was later to rescue a dozen stranded journalists.

There was an Australian woman, an anthropologist, furious about the way a French television camera crew was going about its necessary business; and an Englishwoman, married to a French settler, who used to live in and love the Hienghene region, but who has now moved to the apparent safety of Noumea, the capital, 180 miles away. She was, she confessed, terrified beyond measure by the polarisation that has settled on New Caledonia.

Some were not there. Jean Marie Tjibaou, president of the provisional Kanak liberation Government, which is demanding independence, two of whose brothers were among the dead, was still in Hienghene, advised, perhaps by the French authorities, perhaps by anonymous threats, not to attend.

M Edgard Pisani, President François Mitterrand's special emissary, was not there either, presumably for the same security reasons, although a representative of the French High Commission was present.

Guns were there, too, although not on the hill at Tiendanit itself. The first we encountered, near the burnt-out hulks of the two vehicles caught in the ambush, seven miles down the track, was from FLNKS, the Kanak independence movement.

Later, closer to the burial grounds, were the French gendarmes, perhaps 50 of them, of the 1,600 flown in from France. Professional, discreet, despite their helicopters and armoured personnel carriers, they were there to ensure that nobody tried to repeat last Wednesday night's ambush. The chief suspect, a settler of mixed Melanesian and French descent has reportedly taken to the wilder hills with his 12-year-old son.

In the end, inevitably, the latter half of the twentieth century always makes itself felt. It is too far to walk easily to Tiendanit from Hienghene, so people came by trucks, buses, and cars. Mostly they made it to the muddy top of the track, but leaving was another matter.

In the mire, there was no way to turn around and vehicles were still stuck well after midnight, hours after the funeral was over.

For those returning to Noumea, that night and the next day there was another problem. The scarcest commodity in the Hienghene region is petrol. Barricades have prevented tankers getting through for the best part of two months and those with it know its market value.

A car-load of Australian journalists, down to their last litre and a long way from an open garage, paid the sizable sum of 50,000 Pacific francs ($300) for a tankful.

Not all were so mercenary. The Kanak who rescued us from a tropical downpour as we tried to hitchhike from the airstrip and who had to endure our half-frightened questions as he drove us further into these wild, barely charted hills, would not accept as much as a Pacific sou for getting us there.

"I am here," he said, "you should be here, that is enough." We shook hands at that.

U.S. officials seek strategy to cut trade deficit with Tokyo

BY STEWART FLEMING IN WASHINGTON

A U.S. Cabinet – level trade policy group is scheduled to meet today in Washington in an attempt to formulate a more effective strategy for reducing the $35bn a year trade deficit with Japan, Reagan Administration officials say.

The meeting comes only a few weeks before Mr Yasuhiro Nakasone, the Japanese Prime Minister, is due to hold discussions with President Ronald Reagan in Los Angeles on January 2. That session is being seen by some U.S. trade officials as likely to set the tone for U.S.-Japanese trade relations during the second Reagan Administration.

Some trade officials want the U.S. to take a tougher line with Japan on trade issues. They are anxious that the close personal relations between Mr Reagan and Mr Nakasone should not cast too warm a glow over discussions on trade issues, something which it is said has happened in the past to the detriment of U.S. interest.

A strong hint of the mounting frustation among trade officials in the Reagan Administration is contained in a speech to be given today in Tokyo by Mr Lionel Olmer, under secretary of commerce for international trade, the highest ranking U.S. trade official to visit Japan since the presidential election.

Mr Olmer is expected to tell the Japanese bluntly that they must take active steps to reduce mounting trade friction between the two countries.

In an advanced text of a speech he will give in Tokyo Mr Olmer says: "Put strictly in terms of trade (U.S.) patience is running out because our access to Japan's market is seen by almost everyone in my country and elsewhere as nowhere equal to Japan's access to other markets.

"Make no mistake," he says, "this perception is expressed with greatest vehemence in Europe and runs the risk of derailing any progress towards global trade liberalisation."

Mr Olmer calls on Japan to "abandon the security of the rich outsider" and shoulder the responsibilities it has as the second largest industrial economy in the free world. He says that Japan should "establish imports of foreign goods as a national priority at least equivalent to its long-standing goal of exporting."

The Reagan Administration is under mounting pressure from the business community to adopt a more muscular approach to trade issues in general and to Japan in particular in the face of a soaring trade deficit, expected to reach $130bn this year, and evidence that imports are taking a growing share of domestic high technology markets.

Last week the advisory council on Japan-U.S. economic relations, a group consisting of 75 senior U.S. business leaders with a significant involvement in Japan-U.S. commerce and chaired by Mr Edson Spencer, chief executive of Honeywell, issued a hard-hitting report on trends in Japanese telecommunications markets.

There are fears that forthcoming changes in laws covering the Japanese telecommunications market will make it harder for U.S. companies to sell to Japan.

There are suggestions that Mr Reagan will press for Japan to aim for a higher rate of economic growth on the grounds that it mightlead to a faster rate of absorption of foreign imports.

It is recognised, however, that expanding foreign export penetration of the Japanese market is complex because of the unusual structure of the Japanese economy. That is one reason why Mr Olmer is proposing that Japan adopt an active policy of fostering import growth.

Japan set for new VCR restraints

BY ROBERT COTTRELL IN TOKYO

EUROPEAN and Japanese trade officials are expected to announce today details of an agreement restraining Japan's videocassette recorder (VCR) exports to the European Community in 1985.

The agreement, the third to be made within a three-year framework set up by the EEC and Japan in February 1983, is expected to fix a ceiling of 2.25m units for shipments of complete VCRs – sharply lower than the ceiling of 3.95m units originally fixed for 1984.

The ceiling for exports of knockdown Japanese VCR kits to EEC countries, however, is expected to be raised from this year's 1.1m its.

These details have not been officially confirmed in Tokyo, but have emerged from consultations between Japan's Ministry of International Trade and Industry and local electronics manufacturers.

The EEC views the main purpose of the restraint agreements as being the preservation of a segment of the European VCR market for domestic producers. The 1984 formula provided that Europe's domestic VCR producers might expect to make and sell at least 1.3m units, while Japan might expect to export up to 3.95m finished VCRs and up to 1.1m knock-down kits.

European Commission officials have been taking a tough line on the 1985 restraint agreement, after the over-optimism with which ceilings were fixed for 1984. They have been influenced by Japanese projections that EEC demand for VCRs would be around 6.35m units for the year.

In fact, EEC demand this year is likely to total about 4.5m units, of which domestic manufacturers are likely to account for fewer than 1m, while Japanese shipments will fall well short of their ceiling levels.

The main negotiations underlying today's expected agreement took place last week, when Viscount Etienne Davignon, Vice-President of the European Commission, visited Tokyo for talks with Mr Keijiro Murat, Japan's Minister of International Trade and Industry. The two sides had reached a basic understanding by the time Viscount Davignon left Tokyo on Wednesday, but wanted further working-level talks before making commitments to specific figures.

EEC negotiators apparently think Japan is still being over-optimistic in its projections for European VCR demand, which the EEC expects to show little growth in 1985. The two sides are thought to have compromised on a bond of 5m to 5.5m units for EEC sales in 1985.

Germans see EMS stability

By Jonathan Carr in Frankfurt

WEST GERMAN monetary authorities believe there is a good chance that no currency realignment within the European Monetary System (EMS) will be needed for at least another year.

It is pointed out that the EMS countries are following similar economic policies (albeit with varying success) and that no general election is scheduled for a large member state in 1985.

Those factors, it is felt, help make for a further long period of relative calm in the EMS, which had seven realignments in its first four years to March, 1983, but none since then.

It is agreed that much depends on the U.S. dollar, whose strength so far against all EMS currencies (including the key D-Mark) has helped to ease strains within the EMS itself.

Should the dollar fall sharply in coming months (and West German authorities hazard no forecast) then a surge of funds into the D-Mark more than into other European currencies would bring new tensions to the EMS.

However, even in that event, it is noted that European central banks have been markedly increasing their holdings of D-Marks, and are thus well armed to defend their currencies through intervention if the need arises.

In a speech last week highly critical of aspects of the EMS, the Bundesbank President, Herr Karl Otto Pohl, acknowledged none the less that the System was going through a long period of relative calm.

Delors accord on EEC jobs

Continued from Page 1

sible for external trade relations with the rest of Europe, the U.S., and Japan, and with Sig Lorenzo Natali, the senior Italian Commissioner who takes on Lomé while retaining his responsibility for the enlargement of the Community to include Spain and Portugal.

Herr Karl-Heinz Narjes, the senior West German Commissioner, moves from running the internal market to the powerful industrial portfolio.

THE LEX COLUMN

Earnings at a discount

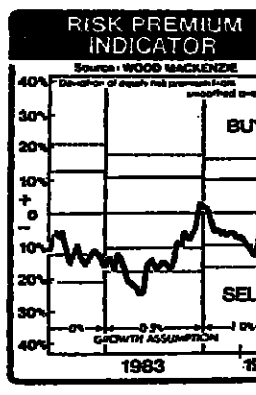
For many years the standard yardstick of share values, the price-earnings ratio, has been hobbling along under manifest difficulties. Notoriously, the high inflation of the 1970s made a mess of the earnings calculation: the available measure of "e" was just not a worthwhile denominator. Just as the relative value of different shares was getting harder to determine, it became apparent that the p/e of the whole market had lost any claim to indicate whether the market was cheap or dear at different times.

With hindsight, it could be seen that the London market was cheap on a multiple of 14 in 1970, but expensive at eight times earnings in 1974. In much the same way, it is a matter of chronic dispute whether the Tokyo stock market is really more expensive than its Western counterparts – or just has higher p/e ratios.

The fact that the p/e ratio nevertheless survives in common use suggests that there is still a core of sense in it; high multiples usually indicate premium ratings, based generally on an expectation of higher-than-average growth in profits. The implicit picture is one in which the market functions like a horse-race handicapper – adjusting share prices so that in the long run total returns all reach the same finishing line. It is only fair for a high-growth company to carry the burden of a higher p/e than the market puts on static earnings. Equally, if the financial going is sticky – in terms of high interest rates – it is reasonable for multiples to be reduced right down the card.

In a rough and ready way, most users of the earnings multiple are doing something like this, trying to assess whether the price is a fair reflection of the company's growth and dividend potential. The investor's assessment thus refers directly to the company's assumed growth rate and to long-term interest rates – which identify the opportunity cost of waiting for its dividend stream.

Converting this line of thought into a systematic way of valuing the market – or individual stocks – has tantalised many a market analyst. The basic idea of any such model must be to take the growth assumptions and interest rates explicitly into account, using them to decide whether the current share price is asking more for the future earnings stream than it is worth.



Perhaps the best known attempt is the risk-premium model developed by Wood Mackenzie. This measures the extra returns on equities as against gilt-edged, broadly indicating that the market is dear when the excess is below its long-run trend. In its most recent form, this explicitly allows for changing assumptions as to future growth.

Thus, when the general market expectation of dividend growth justifiably improved – from 1983 – WM's traditional assumption that dividends would stay constant in real terms forced its model to describe the market as an overvalued "sell." It is an open question whether it was a defeat for the original model – or a demonstration of realism – that WM decided to fall into line and raise its growth assumption.

The current *denier cri* is a model – invented by a French-Cambodian analyst, M Rangsi Sam – which uses the growth/interest rate information to compute a single number, namely the number of years it takes for the discounted income stream to pay back the present share price. This certainly appears to make some sense of the suspicion that high Japanese multiples are all right, really. Japanese interest rates are low and earnings growth high, by most standards – so payback periods do not differ too outrageously from those found on lower p/e multiples in London or New York.

But to advocate the Sam payback period as a practical replacement for the p/e is perhaps going a bit far. What is needed is something more "back of the envelope," perhaps starting off with the actual p/e and adjusting it in line with what is believed about growth and interest rates. Then, as Robin Gilbert (of James Capel) suggested a few years ago, it is possible to make a crude but useful decision. If your adjusted version of the market p/e is higher than the actual one, the market might conceivably be cheap.

ACT/Apricot

In the light of Acorn Computers' withdrawal from the U.S. market, Applied Computer Techniques' announcement that it was striding fearlessly into the fray over there might seem bold, to say the least. But whether or not ACT's Apricot computer manages to crack the combined armour of IBM and Apple, the company has concocted an ingenious way of defferring the effect on its own accounts.

In order to finance the U.S. operation, ACT has formed a new company, Apricot, of which it owns just under 20 per cent. The balance has been taken up by institutions, ACT shareholders, and other investors through a placing and an offer for subscription, which closed last week.

Since the initial promotion costs are expected to be $6.5m, Apricot is almost bound to make a loss in the first year. But until ACT acquires a majority stake, it will not consolidate any losses. If and when Apricot starts earning, ACT can buy another 40 per cent of the shares. In that case, Apricot shareholders can keep three shares out of five, and can exchange the other two for shares in ACT itself.

If Apricot falls short of the 0.5 per cent share of the U.S. market that it needs to break even, its shareholders can bail themselves out, either into ACT shares or cash equivalent to their original stake. ACT shareholders would have to swallow only a small loss from Apricot, since its fixed costs are low. But even if all the Apricot shareholders then converted to ACT shares, the dilution would be limited to 9.2 per cent.

Given that ACT has launched three rights issues in the last two years, a further call might have stretched the market's patience just a bit. This gives ACT's existing shareholders a direct way to cash in on a new venture; and if they eventually decide to convert back into ACT, the effective rights issue should have worn its disguise for long enough to avoid offence.

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		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	16	61	Dubrovnik	S	15	59	Malaga	S	18	66	Salzburg	C	4	39
Akrotiri	C	15	59	Faro	F	16	61	Malta	C	16	61	Seoul	S	13	55
Algiers	S	21	70	Florence	—	—	—	Manila	S	29	84	Singapore	F	29	84
Amsterdam	F	8	46	Frankfurt	D	5	41	Miami	F	23	73	Stockholm	C	9	48
Athens	F	15	59	Funchal	R	13	55	Milan	Fg	2	36	Strasbourg	C	5	41
Bahrain	R	18	64	Geneva	C	4	39	Moscow	Sn	-6	21	Sydney	S	19	66
Bangkok	S	32	90	Gibraltar	F	17	63	Munich	F	9	48	Taipei	S	27	81
Barcelona	S	16	61	Guernsey	C	9	48	Nairobi	C	22	72	Tangier	S	19	66
Beirut	S	16	61	Helsinki	R	5	41	Naples	S	10	50	Tehran	—	—	—
Belgrade	C	2	36	H. Kong	S	22	72	New Delhi	S	23	73	Tel Aviv	F	17	63
Berlin	R	8	46	Innsbruck	S	4	39	New York	C	6	43	Tenerife	—	—	—
Biarritz	S	15	59	Inverness	—	—	—	Nice	S	14	57	Tokyo	S	13	56
Blackpool	F	9	48	Istanbul	F	9	48	Oporto	S	17	63	Toronto	C	2	36
Bordeaux	Fg	9	48	Jersey	C	10	50	Oslo	C	7	45	Tunis	S	15	59
Brussels	C	8	47	Jo'burg	S	28	82	Paris	C	8	46	Valencia	S	16	61
Budapest	D	-1	30	Las Palmas	D	18	64	Prague	F	4	39	Venice	S	5	41
B. Aires	C	25	77	Lima	C	23	73	Reykjavik	Sn	1	34	Vienna	C	4	39
Cairo	C	19	66	Lisbon	C	15	59	Rio de J'o	C	30	87	Warsaw	C	2	36
Cape Town	S	24	75	Locarno	S	7	45	Rome	F	14	57	Zurich	F	3	37
Caracas	C	27	81	London	F	10	50								
Casablanca	S	17	63	Los Angeles	C	11	52								
Copenhagen	C	8	46	Luxembourg	C	5	41								
Corfu	S	17	63	Madrid	C	13	55								
Dublin	F	9	48	Majorca	F	17	63								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Carbide unsure about Bhopal leak

Continued from Page 1

surrounded with a thick concrete shell.

Last Monday morning Tank A was empty and Tanks B and C were full with gas that had been stored for some weeks because of a two-month lull in pesticide production. It was in Tank C that, for a so far unexplained reason, the temperature and pressure built up so much that the gas escaped down a special pipeline. (Tank B is still full and will be emptied soon, either by restarting production for one to two weeks or by neutralising and releasing it).

The pressure broke through a safety valve and the gas streamed into a scrubber tank, where it should have been neutralised by caustic soda before flowing up a 300-foot flare chimney and passing out into the air. However, the scrubber did not work and the gas passed into the air in its lethal form.

"We have been informed by a worker that the scrubber was not operating at all because it was under maintenance," said Mr R.K. Yaday, general secretary of the trade union.

Managers say, however, that the scrubber was functioning. The trouble was that the gas flowed through so quickly that the caustic soda did not have time to work.

There may also have been some delay in taking preventive action to cool down the tanks. Mr Yaday says that when a gas leak occurs an employee has to break the glass of a pillbox, which releases water to cool down the tanks.

The gas only escaped for 45 minutes after 1am. So little is known about its lethal capability that the company assumed there would be only a small loss of life. Even 12 hours later, a maximum figure of fewer than 100 deaths was expected.

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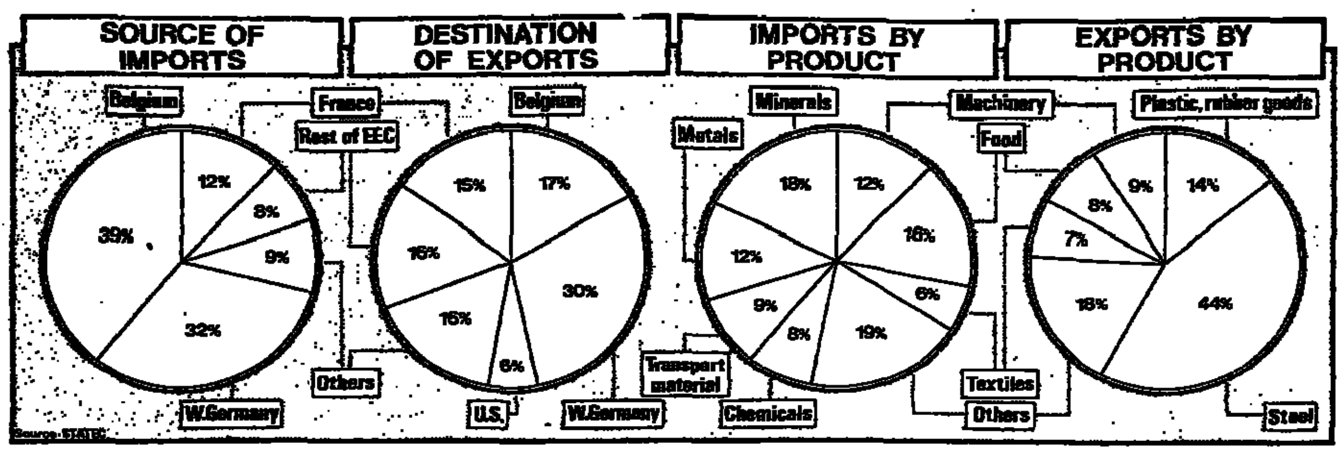
FINANCIAL TIMES SURVEY

LUXEMBOURG

By Paul Cheeseright



This micro-state exercises an influence within the EEC that is considerable for its size. Its future prosperity lies in establishing new industries alongside the old

Compromises with a purpose

LUXEMBOURG IS compromise. The very size of its territory was the result of 19th century bigpower negotiation. Its politics are subject to adjustment through successive coalition governments.

Its economic future lies in the search for balance between the demands of old industry and the pressures of new technology. Its vaunted social harmony requires freedom to make money, and controls to spend it.

In its way this European micro-state exemplifies what is happening throughout an industrialised continent which has found itself being overtaken by new and less rigid economic powers.

The Grand Duchy, after all, was a single product state which climbed to prosperity when the steel it sold to others was the backbone of economic advance. Steel aroused and met social expectations. It meant a realisation of the dream of a full employment society.

Now the trappings of the dream remain in a society which by Western standards has scarcely any unemployment but the circumstances which set it off have departed. Arbed, the steel company, is not a contributor to the state, but a charge on it. It provides jobs but consumes wealth.

But the number of jobs is fewer. In numerical terms, until last year a job lost at Arbed was matched by a job created in financial services. That is no longer the case; Luxembourg needs new industry as much as any of the states around it.

At this stage, the pattern of compromises comes into play. At one level there could be no question of Arbed just firing people and leaving them to fend for themselves. Rather they have been provided with work at guaranteed wages. Arbed is probably the only steel company in Europe which has been restructuring without forced redundancies.

At another level there is a basic Government choice about the type of new economic activity which needs to be encouraged. In the crudest terms, the Government could seek to concentrate on high technology, create yet another pallid European version of Silicon Valley. Or it could just prop up existing industry.

In fact it has gone for both. It wants the high technology, to be sure, but because it has made jobs the main priority it has come to the conclusion that there is more to be gained, at least in the immediate future, by encouraging the development of existing industry.

There is a further level of compromise. Changes in existing industry and the formation of new ventures have to take place within the climate of what is called "social solidarity" — that is, a centrally controlled wages structure worked out through a system of conditional indexation, backed by internal price controls.

"Labour costs are not so high as in most other European countries. They're less than in Belgium, the Netherlands or Germany," Mr Johny Labure, Minister of State for the Economy, claims. "Even if wages are high, social insurance is not so high. So we're still in a good position."

Arguably, the sort of high-wage economy with its checks and balances between companies and wage earners would not be possible in a society larger and more diverse than Luxembourg's. And there are those in the Grand Duchy who believe it is not possible for too much longer.

The question here is whether the Government can patch and mend or whether it should do more basic thinking and work towards a vision which makes Luxembourg primarily a financial and services centre with some industry tacked around the sides. It is a question which, in varying degrees, is faced by other and bigger Governments.

What is clear is that Luxembourg can do very little which antagonises its neighbours. The fact of the country's smallness is in itself a push towards compromise.

Foreign armies have trampled over what is now the territory of the Grand Duchy for centuries; the German occupations of the two world wars are only the most recent occasions. The difference between then and now is the international situation which has pushed Western powers together in opposition to the Soviet Union and superseded the concept of neutrality as the best defence.

Within the alliance and the groupings which are either part of it or run parallel with it, the future of Luxembourg, in a political sense, is more secure probably than it has even been. But Luxembourg's role still has to be fought for in chancelleries and boardrooms.

Smallness and geographical position in the heart of Europe are their own advantages. A company can arrive in Luxembourg and within 24 hours win a decision on the nature of the incentives it can expect to benefit from if it starts a new venture. On the other side, Ministers who have had to make such decisions can relate how any encouragement of, say, an American or a Japanese outsider wil make him the subject of immediate pressure from the European competitors.

At a policy level, just such a clash has been worked through on the question of a satellite. The Government, which lost power last June, favoured a Luxembourg venture into space with the Coronet satellite, carrying not only television channels but telecommunications facilities.

Had it come off it would have been a bold leap. The freedom to provide services which is the backbone of the growth of the banking centre could have been applied to telecommunications. Luxembourg could be the centre of an international communications system.

The plan stalled for two reasons. First, because the power of Luxembourg was no match for France and West Germany, each of which had its own reasons for opposing the idea.

The second problem was the opposition of Radio Television Luxembourg, which wanted satellite channels—and quickly—and the French satellite was the quickest way of getting them. As RTL's parent is the biggest taxpayer in the Grand Duchy it had real power. A small state cannot fend off both its biggest taxpayer and its two most powerful neighbours.

Veto

At a detailed level, then, the power of Luxembourg remains limited. But on a political level, it exercises and fights for an influence which exceeds its size. A state which has a budget much the same as that of the Greater London Council but a population a twentieth of the size of London can send a representative to the EEC Council of Ministers with the power of veto.

Where its own direct interests are at stake, Luxembourg has the protection of the rules of the EEC. For example, it can seek special provisions on the freedom of movement in the EEC to counter, say, an expected flow of Portuguese workers to the Grand Duchy when Portugal joins the Community. (Portuguese make up a sizeable minority in Luxembourg).

Its position in the EEC has been strengthened by the presence in the Grand Duchy of EEC institutions—the European Investment Bank, the Court of Justice, some of the parliamentary services—and for three months of every year the Council of Ministers.

It has been argued many times that spreading EEC institutions around Europe is inefficient and wasteful. But those in Luxembourg are needed for their economic benefits. The Government fights to keep them, just as the rules allow.

Profile: Jacques Santer, Government president

Adept conciliator at head of coalition

NO SURPRISES when Mr Jacques Santer became president of the Luxembourg Government after last June's election. He was the chosen successor of Mr Pierre Werner, the outgoing president and for long the major force in Grand Ducal politics.

Mr Santer himself is young enough to dominate Luxembourg politics for at least a decade unless the electoral tides suddenly change. And he is lucky enough to be taking over with the recession past the worst.

Aide

His move to the top job is a reward for a lifetime in politics. At 47, he has spent only two years of his working life outside, as a lawyer at the Court of Appeal after he had finished studying in Strasbourg and Paris.

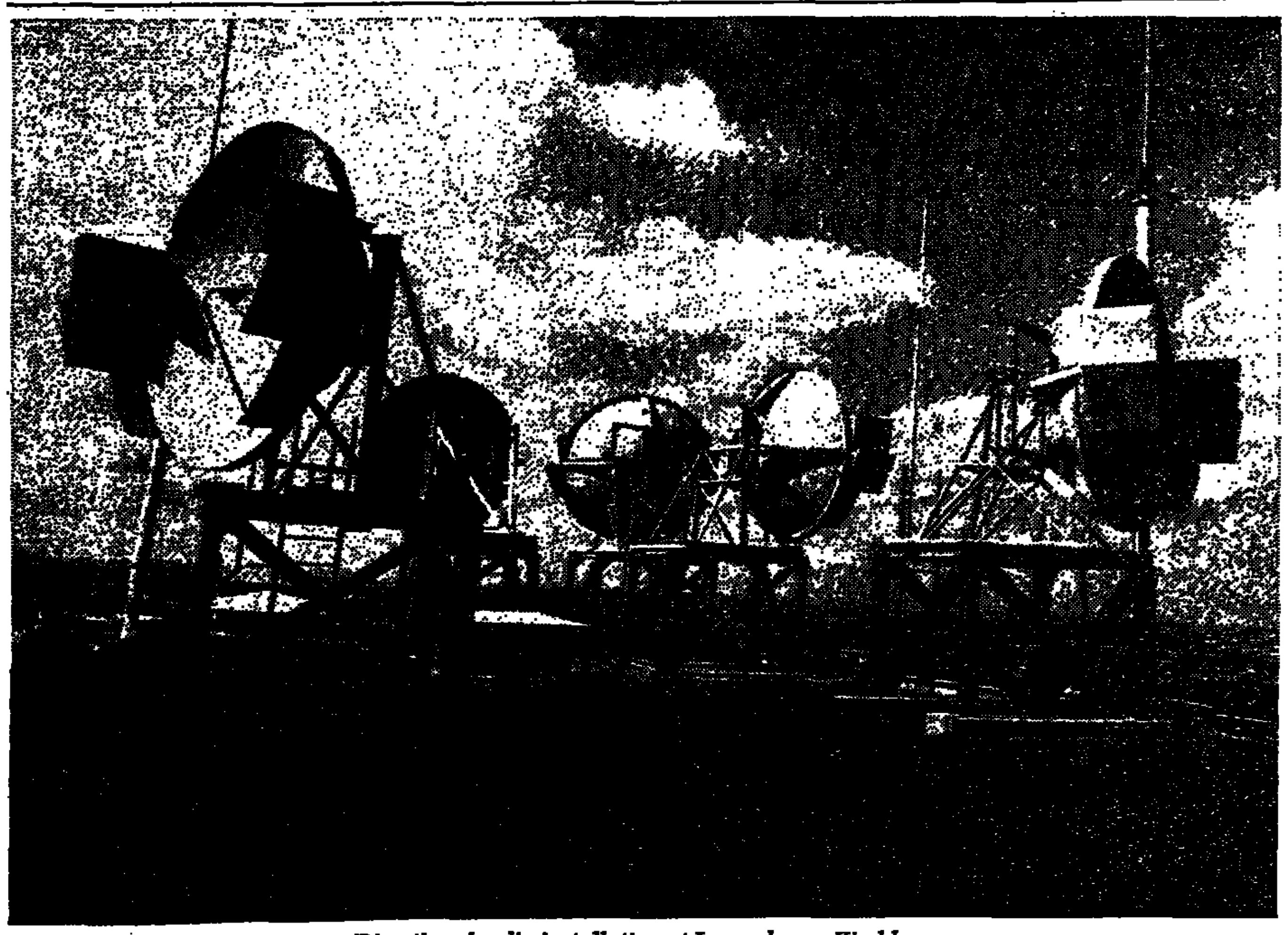
He put his foot on the political ladder in 1965 as an aide to the then Minister of Employment and Social Security.

Since then he has been secretary of the Social Christians, the party president, a member of the Chamber of Deputies, a member of the European Parliament—he was elected again last June—and has held a string of Cabinet posts.

Mr Santer has kept the Finance Ministry in the new Government. He first took it over in 1979 when the Social Christians came back into power after an electoral defeat five years previously. It ensures that he will not be just a titular head of government.

He comes across as a conciliator, adept at political negotiation. His first success as leader, from his party's point of view, was to keep the main threads of Christian Social policy intact during the talks with the Socialists on the formation of a new coalition, even if he had to sacrifice some of the choicer government posts.

"The new Government is working as a team. There is no difficulty in managing it," he asserted. That is not quite the impression of local commentators who see the first cracks in a partnership that, on the basis of previous Social Christian-Socialist coalitions, could be difficult to run.



Directional radio installation at Luxembourg-Kirchberg

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Rhetoric but little change

Politics

PAUL CHEESERIGHT

LACK OF political polarisation is a difficult problem in a small country, says Mr Jacques Santer, new president of the Government. Certainly it is in Luxembourg where there is a high standard of living and a strong foreign labour force.

The rhetoric can be strong, as the election campaign in the summer showed, but since the entry of Socialists into a new Government in July with promises of new directions, little on the face of it seemed to have changed.

Critics have been quick to point out that Luxembourg's politics are much the same as they were, only the labels have changed. What happened in June was that the old coalition parties of the Social Christians and Liberals—the Democratic Party—taken together, roughly held their ground. But the Socialists, picking up votes on the periphery of the major parties, polled strongly. Their presence in a new Government was inevitable.

That the two biggest parties could haggle for three weeks and then produce a common programme, albeit a trifle woolly one, is evidence enough of the lack of polarisation. "This is not a marriage of love, but a marriage of reason," said Mr Santer.

The most significant change though is probably less in the composition of a new coalition pushing the Liberals into the cold for the first time in 15 years, but in the new importance won by the unions.

Analysts had noted a feeling in the electorate that the economic difficulties could be surmounted more easily if the two main union groupings, one linked to the Social Christians but the biggest linked to the Socialists, were with the Government.

There is a difference in the links, however, as Mr John Castegnaro, leader of the Socialist OGB-L, pointed out. "We have a party, the Social Christian Party has a union." In fact, the Christian Social union has about half the membership of the OGB-L whose numbers have swollen from 24,000 in 1979 to 33,000 this year.

The influence of the OGB-L was emphasied when Mr Castegnaro's right-hand man, Mr Johny Lahure, was pulled straight from union affairs to be Minister of State for the Economy under Mr Jacques Poos, the Socialist leader who is vice-president of the new Government and in charge of both the economy and foreign affairs.

Mr Lahure could find himself being pulled two ways. The socialists campaigned hard during the election for a return to wage indexation—the system which had operated since 1948 was suspended in 1982 when devaluation of the Belgian franc threatened a surge in prices. The unions are still pushing hard.

Extravagance

But the Social Christians remain the biggest party in the Chamber and have managed to negotiate with the Socialists a scheme which falls short of what they had been demanding. The issue is the most pressing in Luxembourg politics.

Under the traditional system there could be quarterly pay rises when inflation rises 2.5 per cent. The automaticity under the new system is qualified, so that if, for example, competivity is threatened, there is power to stop payments. The basket of goods in the index is being changed and the base will not be 1948 but September 1, 1984. Further, Mr Santer has made it clear that in 1985 there can only be two indexed wage rises.

The Socialists, then, have been forced to swallow unpalatable changes to their original demands. The unions are, as they do not hesitate to say, realist, and may accept half a cake as preferable to the Government-controlled wage rises which worked from 1982. But they will be ready with charges of manipulating the index, just as they were in 1982. And certainly, by re-starting the index the Government is ensuring that the beneficiaries of indexation have permanently lost some purchasing power.

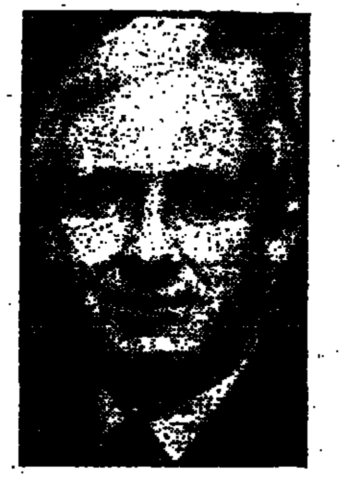
The influence of the unions, nevertheless, is wider than that exercised through the political parties. Luxembourg has a system of what it calls Tripartites, that is groupings of unions, employers and Government representatives which work at both sectoral and national level.

A Tripartite would decide whether indexation goes forward or stops. It could settle wage rates in the steel industry. The Tripartites thus have a power which in some cases could overshadow that of the Chamber of Deputies. But, said Mr Santer, "we are aware of damaging the authority of the Chamber."

It is an old problem. A national Tripartite had the power to overrule the Government at the end of the 1970s, before the last coalition put a stop to it.

This suggests that there are no new problems in Luxembourg politics, only old ones which are dealt with in different ways.

At the same time, the approach of the Socialists is cautious. Mr Poos himself appears to want to capture the middle ground of politics and even the rhetorical radicalism of trade unions is directed mainly at keeping intact a system which over the years has carefully nurtured wage-earners in the interests of social peace.



Jacques Poos: after the middle ground.

The Liberals have gone into the cold at least in part because they appeared less keen on succouring industry in trouble. Mrs Colette Flesch, now the senior figure in the party, ran into difficulty over criticism of "sundown industries."

"On the surface," commented Mr Paul Helminger, the former Liberal minister, "in the initial stages of the Government, the element of continuity prevails over the element of change."

Underneath, he argues, there is more fundamental change because the Government is becoming increasingly tied to vested social interests.

The burden of his concern is that tax revenue is higher than expected, and this has led to extravagance and a greater concentration than desirable on preserving what Luxembourg already has—steel and sluggish medium-sized businesses, as he put it, and the social security net. Not enough is being ventured on the new.

The Liberals are reflecting on their loss of power and seeking a redefinition of their ideas. That will be one form of pressure on the Government; another comes from the emergence of the Greens in the Chamber.

On the Greens Mr Santer says: "The phenomenon is very serious politically as you see in Germany and other countries. The problems of the Greens are also the problems of the younger generation, so we have to integrate them."

Analysts believe the Greens have little future as a party but much more as an influence for change in the established parties.

Chamber of Deputies

	1974	1979	1984
Christian Social Party	18	24	25
Socialist Workers' Party	17	14	21
Social Democratic Party	5	2	—
Democratic Party	14	15	14
Communist Party	5	2	2
Independent People's Movement	—	—	—
Enrôlés de Force	—	1	—
Independent Socialists	—	1	—
Green Party (Ecologists)	—	—	2
Total number of seats	59	59	64

A mainstay of the economy

Banking

PETER MONTAGNON

BANKING AND financial services have emerged as a mainstay of the Luxembourg economy over the past 10 years now that its traditional economic sectors of steel and agriculture have moved into decline.

Today the banking sector employs more than 9,000 people which admittedly is only about 6 per cent of the workforce, but the major banks have become the country's largest single taxpayers, offsetting the drain on government resources caused by aid to the steel industry.

It is large because of this that Luxembourg is making a determined stand to preserve and nurture its banking system in the face of international shockwaves that have begun to make the industry much less secure than before.

The growth in business was already trailing off before the scandals that hit Luxembourg directly over the past two years in the form of the collapse first of Banco Ambrosiano and then of Germany's Schroder, Muenchmeyer Hengst.

Share

Where, in the 1970s, total assets in the banking system had been growing exponentially at rates ranging up to 50 per cent and higher, the annual growth rate today is closer to 10 per cent. Luxembourg's share of total Euromarket lending had fallen to only 9.5 per cent in the first quarter of this year from a figure as high as 12.4 per cent in 1979.

In one sense this reflects the simple fact that Luxembourg is now a mature financial centre. Growth in the early 1970s was determined largely by a continuing influx of new banks. Now most international banks that want to do business in Luxembourg have set up shop there and the numbers of individual institutions has levelled out at 115, the same as in 1981.

If anything, there is now some tendency for banks to drift away as competition for business becomes more acute and costs and margins come under pressure. Schroder, Muenchmeyer's Luxembourg operation has closed down, while Landesbank Stuttgart decided to move its Euromarket business to London.

But bankers in Luxembourg still have considerable faith in the Grand Duchy's future as a banking centre. For one thing the regulations have been adapted to encourage investment management business brought in by wealthy retail customers; for another profits continue to show fairly solid growth; and finally some bankers detect at last a slight pick-up in international lending opportunities.

Though Luxembourg is potentially vulnerable as a centre through having no real central bank that can act as a lender of last resort, its banks have not in general faced sudden withdrawals of funds. For one thing they are mostly subsidiaries of established international banks, but the country has also been helped by the fact that only a tiny percentage of its total lending (0.9 per cent) has gone to Latin America. Three quarters of its bank loans are to customers in the main industrial countries.

Even the scandals which have hit Luxembourg directly do not seem to have had much impact on the funding ability of local banks. As the time of the Banco Ambrosiano collapse many Luxembourg bankers feared a run on deposits, but it never happened. Nor apparently was this fear justified when the German private bank Schroder Muenchmeyer collapsed with large losses at its Luxembourg subsidiary.

A more direct threat to Luxembourg's future has been the general slowdown in wholesale international banking as the recycling frenzy of the late 1970s abates. This has been coupled with a tendency for international banking business to be concentrated in the mega-centres such as London and New York which offer far greater depth of expertise not only in banking, but also in legal and accounting services.

To counter this, Luxembourg has been fighting hard to establish a reputation as a private banking centre.

But bankers also recognise that private banking business alone is not the answer. The backbone of Luxembourg's business is and always will be wholesale banking services, mainly to corporate customers in Europe.

Encourage

Slowly the accent on trade finance and àforfait business (trading of short-term trade-related paper) is growing. International Bankers Inc, one of the newest arrivals that was founded by M Jean-Maxime Lévêque, formerly of the nationalised Credit Commercial de France, has made a successful start by concentrating on trade finance.

Against this background, the government has been seeking to encourage diversification and broaden the range of financial services available in the Grand Duchy. Emphasis has been placed on attracting a growing number of investment funds, for whom the relatively favourable tax environment offers considerable appeal.

Insurance companies are also being encouraged on the grounds that they will bring with them sizable funds that need to be invested through the Grand Duchy's banking system.

In all this the authorities still have to steer a narrow course between stimulating business and preserving Luxembourg's reputation for sound banking. There is no doubt that the quality of banking supervision came under attack after both the Ambrosiano and Schroder Muenchmeyer scandals.

In the one case this reflected the fact that Ambrosiano's business was conducted through a holding company that was not subject to supervision by the banking regulators (supervision is now carried out by the recently-formed Monetary Institute).

In the other, the German bank's losses were compounded by the fact that Luxembourg has no regulations limiting lending to one customer or group of customers to a specific portion of capital.

The Monetary Institute is now re-examining this question to see whether guidelines should be introduced.

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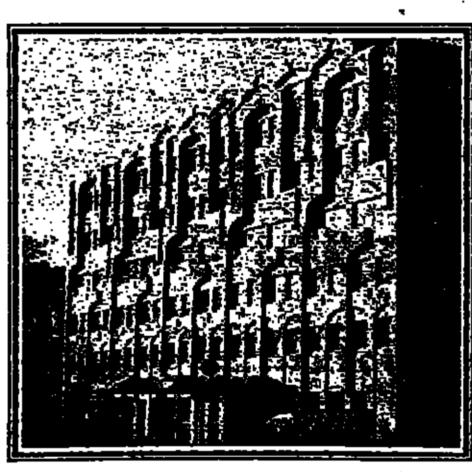

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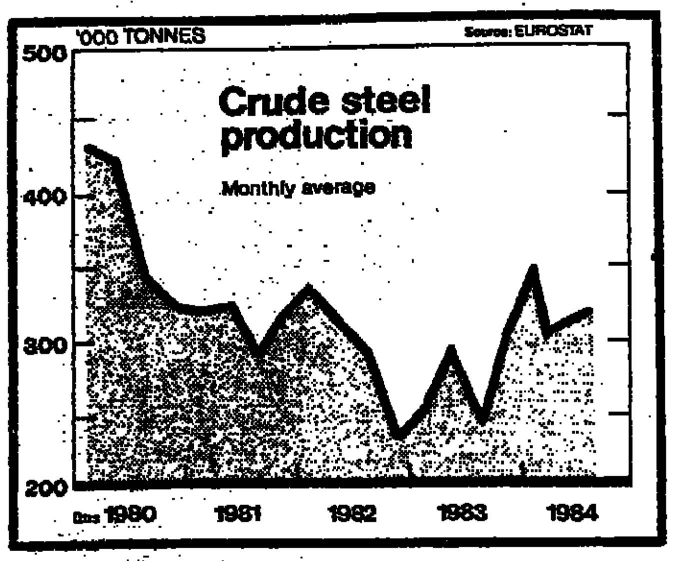

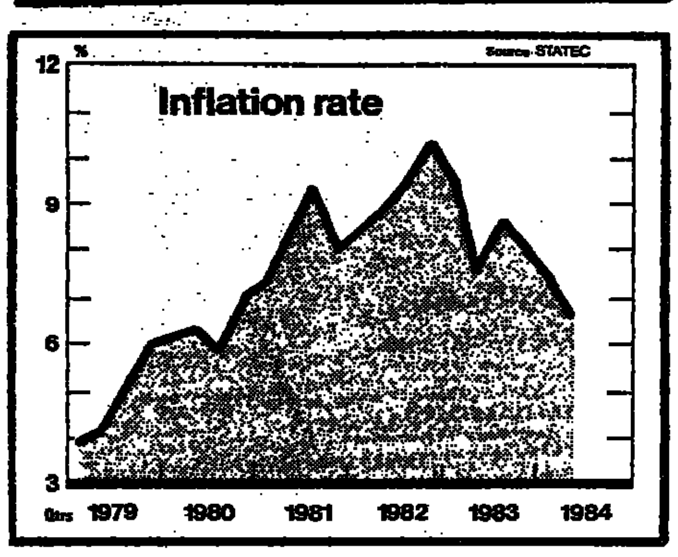

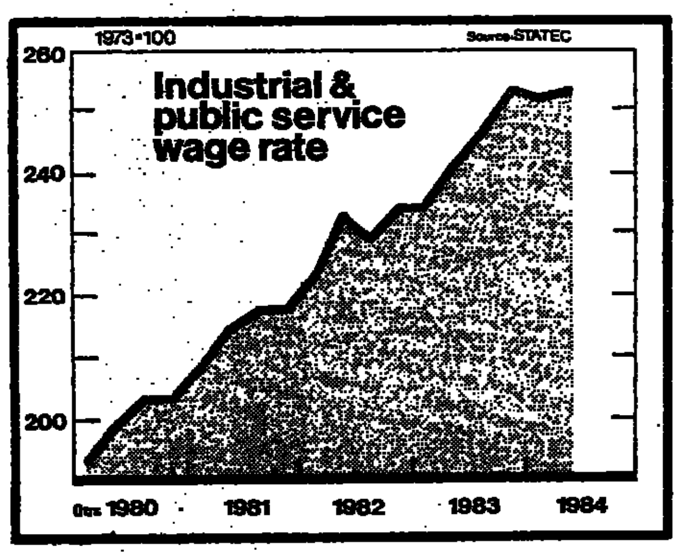

Determination to cut costs and reduce debt

Steelmaker back in profit

ARBED IN crisis is Luxembourg in crisis. The steelmaker is the biggest employer in the Grand Duchy and the largest single exporter. But since the start of the international crisis in the steel industry the number of jobs which have disappeared at Arbed is the equivalent of about 10 per cent of the total Luxembourg labour force.

The company has paid no taxes since the mid-1970s and has become a major charge on Government finances. Special taxes, both direct and indirect, imposed in 1983 to help the steelmaker struggle through, are called the Arbed taxes. Now, the Government is proposing to inject a further LuxFrs 9.3bn ($155m) into the company and raise its stake from 24.5 per cent to over 30 per cent.

But the worst may be over. "The taxes are high enough for spending on Arbed next year," explained Mr Johnny Lahure, Minister of State for the Economy. "And the LuxFrs 9.3bn will not go to Arbed in one year. The productivity of the industry is high; it is making profits. The object now is to reduce indebtedness."

Indeed, with the help of official finance, Arbed in the first half of this year made its first profit since the start of the steel crisis at Lux Frs 212m against losses of LuxFrs 945m in the same period of last year.

Certainly the market has been better. Arbed's production of crude steel in the first three quarters of this year was 24.3 per cent higher than in the first nine months of 1983, while finished steel products, at 2.51m tonnes were 25.4 per cent higher.

The higher production has the effect of cutting costs in two ways. The better utilisation of the Luxembourg plants meant that at least in the first months of the year, it was taking 4.5 hours to produce each tonne of steel, against 5.17 hours in 1983. The company's aim is to raise productivity to four hours per tonne.

Second, the signing of a production sharing agreement with Cockerill Sambre of Belgium at the beginning of this year has meant that production is being centred on the most productive plants in the Grand Duchy. This means an extra LuxFr 500m in profits next year, but it also cuts investment costs by LuxFr 1bn a year.

At the operating level, costs have been brought down to the point where the profit margin on each tonne has passed the level of LuxFr 1,892 considered necessary for financial viability by Mr Jean Gandois, the French consultant who devised the basis of the Arbed restructuring plan.

But hanging over the group is this question of indebtedness. The effects of this were mitigated in the first half by the stability of the Luxembourg franc against the Swiss franc and the D-mark.

Heavy investment

At the end of last year, short, medium and long-term debt totalled LuxFr 65.2bn. Financing charges at LuxFr 4bn were running at 8.4 per cent of turnover, down from 9.5 per cent in 1982.

And the balance sheet is hurt by the high level of amortisation, the company explained, as a result of the heavy investment spending at the end of the 1970s.

Arbed's own calculation is that it needs refinancing of LuxFr 14bn. It sought LuxFr 10.4bn from the Government and said it was capable of finding LuxFr 3.6bn. But the Government, presumably to keep the group under pressure, is only prepared to find LuxFr 9.3bn

An application for approval of such financing went in to the European Commission in October, a necessary step under the collective EEC approach to restructuring the steel industry.

This collective approach, which involves not only control of subsidies but also control of the market through production quotas and minimum prices is working both for and against Arbed.

But the controls also extend to exporting and Arbed is chafing at the restrictions on sales to the U.S., spelt out under the terms of the 1982 U.S.-EEC carbon steel agreement.

Although three-quarters of Arbed's sales are in the EEC, a valuable 5.9 per cent are in North America. U.S. steel imports doubled between 1980 and 1984 yet the company's increase has been 15 per cent, Arbed complains. Its particular market is in tailor-made beams used in the construction industry. Its agency in New York has orders which it cannot fulfil and the growth that Arbed could have achieved on the market is being taken up by producers like Mexico.

At home, however, the immediate problem for Arbed is keeping costs down. Conflict has been created, said Mr John Castegnaro, president of the OGB-L, the largest union grouping, by the refusal of the unions to agree that wage cuts of 6 per cent in an agreement, which came into effect in 1983 and lasts until the end of this year, should be continued.

The general union line is that it wants competitive companies but in a carefully determined social environment.

In fact, an anti-crisis division was set up which provided public works employment at guaranteed wages for those leaving the steel industry, "the motive being to keep people off the streets," Mr Castegnaro says.

At the same time there has been a policy of early retirement, so that there have never been compulsory redundancies at Arbed. That remains the company policy.

Last year, Arbed's labour force diminished in size by 10.3 per cent, to just over 14,000. But now the reductions are nearly complete. The aim is to stabilise employment at about 12,500 by 1987.

P.C.

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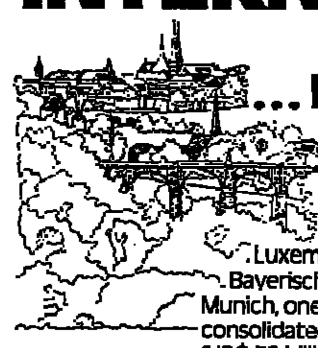

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Pick-up taking effect

Economy

PAUL CHEESERIGHT

GROWTH HAS resumed in the economy this year, but somewhat hesitantly. There should be an increase in the gross national product of up to 0.5 per cent, climbing a further 1.6 to 2.0 per cent next year.

This has come about largely because of the pick-up in demand for steel as the European economy has stabilised, but other manufacturing interests have also benefited. That much became clear after the first quarter.

But the construction industry has remained sluggish. The Government, however, has been taking measures to stimulate it and the effect may be apparent in 1985.

The key factor over the next few months will be the progress of the West German economy and, to a lesser extent, Belgium's. The pattern of Luxembourg's trading has ruled out any significant benefit from the speedy growth of the U.S. economy.

The Government is engaged in the delicate exercise of reviving internal purchasing power without letting inflation run out of control. Wage indexation has been resumed, although hedged with conditions and the Government wants to keep rises next year down to 4.2 per cent, rather less than the expected rate of price increases.

Inflation last year was just under 9 per cent. This year the outturn will be about 7 per cent and next year the Government is working on the basis of a further decline to some 6 per cent.

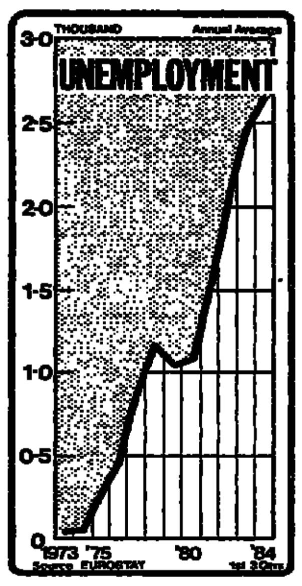
"There is no room for big tax cuts in this state of the economy," said Mr Jacques Poos, vice-president of the Government and Minister of the Economy. Stimulation of personal consumption would benefit industry abroad rather than at home, he observed, so where there are reductions they will be addressed to the corporate sector.

The corporate sector is now strong enough to have stopped shedding labour. Unemployment reached a peak in the first quarter but has since fallen back slightly. The economy has thus absorbed largely the shakeout in the steel industry, although there is now no automatic connection between a rundown in steel jobs and a rise in opportunities in the services sector.

This has fed through into exports. No statistics are available beyond those for the first quarter when there was a 17 per cent increase over the 1983 first quarter in sales to Belgium. But imports rose more than 28 per cent. The Luxembourg Government is dependent on work done in Brussels and figures from there are running some eight months behind.

Traditionally, Luxembourg has run a deficit on its merchandise trade but ended with a surplus on current account because of invisibles—LFr 62.4bn in 1982 on the latest figures.

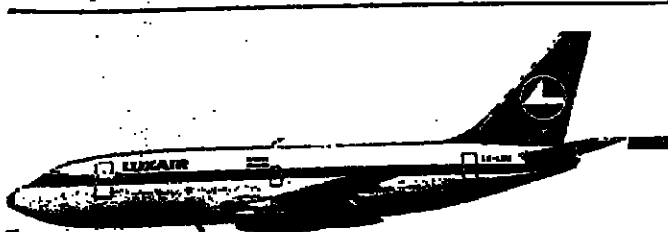
There is little reason to suppose the pattern will be changed this year, although performance



in the financial sector seemed to flatten out in the first quarter.

But the cost of sustaining Arbed, the steel company at the heart of the economy, continues to constrain the Government, which is maintaining the temporary direct and indirect taxes first imposed last year. Its own long-term debt has risen 61 per cent since the end of 1981, although it remains under 10 per cent of the gross national product.

The 1985 budget estimates a surplus of LFr 3.2bn, compared with LFr 807.9m this year and a deficit of LFr 2.1bn in 1983, as the Government continues on broadly the same course as that mapped out by its predecessor.



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Highlights
(ARBED S.A.)

Production (in million t)	9 months 1984	9 months 1983	Variation %
Crude steel	2.946	2.369	+24.3
Rolled products	2.510	2.002	+25.4

Finance (in FLUX millions)	6 months 1984	6 months 1983	Variation %
Sales	27.200	22.900	+18.6
Net profit (loss)	212	(945)	—

Sales organisations

Steel
TradeARBED S.A.,
Luxembourg L—2930
LUXEMBOURG (GD)
TradeARBED (U.K.) Limited
58-59 Great Marlborough St,
LONDON W1V 1DD

Wire products
TrefilARBED
Luxembourg L—2930
LUXEMBOURG (GD)
TrefilARBED (U.K.) Limited
Imperial Chambers
Prince Albert Street
CREWE CW1 2DJ

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SOFTE - Société Financière pour les Télécommunications et l'Electronique	ECU	35.000.000	1981/87
European Investment Bank	ECU	40.000.000	1981/89
Hydro-Quebec	ECU	40.000.000	1981/88
European Investment Bank	ECU	45.000.000	1981/89
Istituto Bancario San Paolo di Torino	ECU	30.000.000	1981/88
Total amount for 1981	ECU	190,000,000	
NERSA - Centrale Nucleaire Europeenne a Neutrons Rapides S.A.	ECU	30.000.000	1982/90
The Council of Europe	ECU	25.000.000	1982/90
Republic of Italy	ECU	50.000.000	1982/89
Republic of Italy (domestic tranche)	ECU	450.000.000	1982/89
SDR - Societe de Developpement Regional	ECU	30.000.000	1982/92
Hydro-Quebec	ECU	50.000.000	1982/89
IMI - Istituto Mobiliare Italiano	ECU	40.000.000	1982/89
European Investment Bank	ECU	40.000.000	1982/89
Credit Foncier de France	ECU	50.000.000	1982/89
Gaz de France	ECU	50.000.000	1982/89
Gaz de France	ECU	50.000.000	1982/89
The Council of Europe	ECU	30.000.000	1982/92
Citicorp Overseas Finance Corporation N.V.	ECU	15.000.000	1982/89
European Investment Bank	ECU	60.000.000	1982/90
CEPME - Credit d'Equipement des Petites et Moyennes Entreprises	ECU	50.000.000	1982/90
EURATOM - European Atomic Energy Community	ECU	50.000.000	1982/90
Thomson-Brandt International B.V.	ECU	40.000.000	1982/87
Total amount for 1982	ECU	1,110,000,000	
Electricite de France	ECU	60.000.000	1983/93
Ireland	ECU	30.000.000	1983/90
Caisse Nationale des Telecommunications	ECU	35.000.000	1983/86
Caisse Nationale des Telecommunications	ECU	35.000.000	1983/89
Caisse Nationale des Telecommunications	ECU	30.000.000	1983/92
Caisse Nationale des Telecommunications	ECU	25.000.000	1983/95
EEC - European Economic Community	ECU	50.000.000	1983/93
Credit Foncier de France	ECU	50.000.000	1983/93
Credit Foncier de France	ECU	50.000.000	1983/93
Swedish Export Credit Corporation	ECU	60.000.000	1983/95
Ireland	ECU	30.000.000	1983/91
European Investment Bank	ECU	60.000.000	1983/91
EURATOM - European Atomic Energy Community	ECU	50.000.000	1983/93
Credit National	ECU	50.000.000	1983/93
Forsmarks Kraftgrupp Aktiebolag	ECU	40.000.000	1983/98
The Council of Europe	ECU	35.000.000	1983/93
EBCO International B.V.	ECU	40.000.000	1983/89
Rank Xerox Finance (Nederland) B.V.	ECU	50.000.000	1983/88
Citicorp Overseas Finance Corporation N.V.	ECU	40.000.000	1983/90
EEC - European Economic Community	ECU	80.000.000	1983/87
EEC - European Economic Community	ECU	40.000.000	1983/90
EEC - European Economic Community	ECU	30.000.000	1983/93
CNE - Caisse Nationale de l'Energie	ECU	50.000.000	1983/95
The Industrial Bank of Japan Finance Company N.V.	ECU	40.000.000	1983/93
Svenska Handelsbanken	ECU	40.000.000	1983/91
Union Bank of Norway Ltd	ECU	40.000.000	1983/90
EEC - European Economic Community	ECU	70.000.000	1983/93
Genfinance N.V.	ECU	70.000.000	1983/90
CEPME - Credit d'Equipement des Petites et Moyennes Entreprises	ECU	30.000.000	1983/87
CEPME - Credit d'Equipement des Petites et Moyennes Entreprises	ECU	30.000.000	1983/91
CEPME - Credit d'Equipement des Petites et Moyennes Entreprises	ECU	40.000.000	1983/95
The Long-Term Credit Bank of Japan Finance N.V.	ECU	40.000.000	1983/90
Ireland	ECU	30.000.000	1983/93
European Investment Bank	ECU	50.000.000	1983/93
Republic of Italy	ECU	60.000.000	1983/90
Republic of Italy (domestic tranche)	ECU	540.000.000	1983/90
World Bank	ECU	100.000.000	1983/88
World Bank	ECU	50.000.000	1983/93
Aeroport de Paris	ECU	25.000.000	1983/93
EEC - European Economic Community	ECU	50.000.000	1983/93
EEC - European Economic Community	ECU	25.000.000	1983/93
SDR - Societes de Developpement Regional	ECU	20.000.000	1983/90
SDR - Societes de Developpement Regional	ECU	20.000.000	1983/95
Total amount for 1983	ECU	2,390,000,000	
European Investment Bank	ECU	50.000.000	1984/89
European Investment Bank	ECU	25.000.000	1984/99
Compagnie Bancaire	ECU	37.200.000	1984/90
EBCO International B.V.	ECU	55.000.000	1984/89
Credit National	ECU	50.000.000	1984/91
Westdeutsche Landesbank Finance N.V. Curaçao	ECU	50.000.000	1984/91
European Investment Bank	ECU	50.000.000	1984/96
Boston International Finance Corporation N.V.	ECU	16.000.000	1984/89
Bank of Tokyo (Curaçao) Holding N.V.	ECU	40.000.000	1984/91
Citicorp Overseas Finance Corporation N.V.	ECU	30.000.000	1984/90
Kingdom of Denmark	ECU	75.000.000	1984/91
European Investment Bank	ECU	100.000.000	1984/94
Royal Bank of Canada	ECU	85.000.000	1984/89
Regie autonome des Transports Parisiens	ECU	40.000.000	1984/92
Regie autonome des Transports Parisiens	ECU	20.000.000	1984/94
Republic of South Africa	ECU	40.000.000	1984/99
Australia and New Zealand Banking Group	ECU	50.000.000	1984/91
Mogal Finance Company Ltd.	ECU	100.000.000	1984/94
ECSC - European Coal and Steel Community	ECU	60.000.000	1984/94
GTE Finance N.V.	ECU	50.000.000	1984/92
Nordic Investment Bank	ECU	50.000.000	1984/94
Republic of Austria	ECU	100.000.000	1984/93
Nippon Credit Bank (Curaçao) Finance N.V.	ECU	50.000.000	1984/91
Postipankki	ECU	35.000.000	1984/92
SNCI - Societe Nationale de Credit et d'Investissement	ECU	60.000.000	1984/94
SNCF - Societe Nationale des Chemins de Fer Français	ECU	45.000.000	1984/94
SNCF - Societe Nationale des Chemins de Fer Français	ECU	30.000.000	1984/92
EEC - European Economic Community	ECU	50.000.000	1984/91
Industrial Bank of Japan Finance Company N.V.	ECU	40.000.000	1984/89
European Investment Bank	ECU	75.000.000	1984/92
Swedish Export Credit Corporation	ECU	57.500.000	1984/89
Eurofima	ECU	40.000.000	1984/92
CAECL - Caisse d'Aide a l'Equipement des Collectivites Locales	ECU	45.000.000	1984/91
Credit Foncier de France	ECU	70.000.000	1984/94
Crédit Foncier de France	ECU	70.000.000	1984/96
Investors in Industry International B.V.	ECU	60.000.000	1984/89
PIBA - Primary Industry Bank of Australia Limited	ECU	40.000.000	1984/93
ECSC - European Coal and Steel Community	ECU	40.000.000	1984/89
ECSC - European Coal and Steel Community	ECU	40.000.000	1984/94
Department of Post and Telecommunications Pretoria South Africa	ECU	40.000.000	1984/99
City of Copenhagen	ECU	20.000.000	1984/94
European Investment Bank	ECU	50.000.000	1984/90
European Investment Bank	ECU	50.000.000	1984/94
ECSC - European Coal and Steel Community	ECU	50.000.000	1984/94
Privatbanken A/S	ECU	40.000.000	1984/91
EBCO Finance B.V.	ECU	40.000.000	1984/93
Bank of Tokyo (Curaçao) Ltd.	ECU	50.000.000	1984/91
World Bank	ECU	125.000.000	1984/89
World Bank	ECU	75.000.000	1984/94
Girozentrale	ECU	60.000.000	1984/93
Sparekassen SDS	ECU	42.000.000	1984/91
Total amount for 1984 (december)	ECU	2,662,700,000	

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Luxembourg 4

The Duchy's companies cannot rely on the domestic market. The operating method of three very different enterprises are considered here

NO LUXEMBOURG company but the smallest can survive without selling outside the borders of the Grand Duchy. Exports and imports make up 80 per cent of the gross national product, four times that of France.

***Over the past decade,* Luxembourg's merchandise trade has come to rely more heavily on products other than steel, so that there is now lively trade in, for example, chemicals and textile products. Steel's contribution to exports has dropped from over two *thirds in 1975* to just over 45 per cent.**

Geographical and historical links assert the importance of the German and Belgian markets.

Government policy aims to diversify the industrial base as a complement to the develop*ing financial and services* sector. It has fixed "as a fundamental and priority *objective the restructuring* and diversification of the economic structure and the adaptation of the means of production to the requirements of pitiless international competition," according to its statement of policy when taking office.

Industry's share in the formation of fixed capital has declined appreciably. Between 1970 and 1972 it was running at 37.4 per cent of the national total, but by the end of the decade had declined to 23 per cent. By contrast, the share taken by services rose over the same period from 36.4 to 44.8 per cent. Then, of course, came the recession and a general downturn in industrial investment.

The reason behind the Government priority is clear. There cannot be too much concentration on services if a policy of full employment is to be followed.

The three articles here show how three concerns—one private, ·).e owned by foreign interests and one owned by the *state*—are tied in to the wider EEC economy.

Co-ordination on railways

RUNNING THE railways in *Luxembourg requires a greater* degree of co-operation and co-ordination with the railway *systems of surrounding countries* than anywhere else in Europe. Only Switzerland has to *practice the same sort of* accommodation in the operation of its railways with those of *its neighbours, but, being a* larger country with a more extensive railway system than *Luxembourg, the difficulties* are less intense.

The main railway station in *the city of Luxembourg* demonstrates one such problem where one track only is available for the changeover of Belgian trains—operating on one voltage—to the different voltage of *the Luxembourg* and French systems. West German locomotives have dual voltage which can be changed at the frontier with Luxembourg. Another difficulty can be language with drivers of French, West German, and Belgian trains having to be given instructions by the patient Luxembourg station manager in the appropriate language.

Luxembourg Railways (CFL), meanwhile, has problems other than purely operational which relate to its location. Transit traffic, over which it has no control, accounts for about one-quarter of CFL freight tonnage. For this particular traffic, the railways are in competition with road and waterway alternatives just as in other coun*tries. Should tariffs for carry*ing traffic on the Rhine be set at a level to intensify competion, there *is nothing* that the railways can do to lure that traffic back. Luxembourg is only one of the freight corridors between the industrial centres of its neighbours.

Revenues

The importance of freight to CFL can be judged by the fact that it brings in about four times the revenues earned from passenger traffic—last year passenger revenues totalled LFr 311m compared with LFr 1.322bn from freight.

The level of freight carrying is largely dependent on economic activity, particularly for bulk materials where road haulage is less attractive from a financial as well as environ*mental viewpoint.*

The *Luxembourg* steel industry is critical to the health of the freight sector, and those of Belgian and Lorraine. CFL has been diversifying its bulk freight business, however, with some success—petroleum, liquid gas, and cereals, both transit and internal, have been added in recent years.

In spite of this diversification, total freight tonnage last year—12.975m tonnes—was the lowest for many years. It compares with 23m tonnes carried in 1974, CFL's peak, which was about half that carried by Swiss railways.

This year, the increase in steel output and services sector has edged up freight business and it is expected to exceed 14m *tonnes. CFL is also* competing with road hauliers for the higher value goods which are *transported in wagon loads* as opposed to the bulk traffic train loads.

A new marshalling yard at Bettembourg, close to the French frontier, opened two years ago, has put CFL in a better position to compete for such traffic both internally generated and transit.

The Luxembourg government's strategic plan for the railways envisages more traffic being switched from road to rail. If this is to be achieved—and it is an aim shared by most governments which have found it more difficult to put into practice than put into plans—continuing investment in the network will be needed.

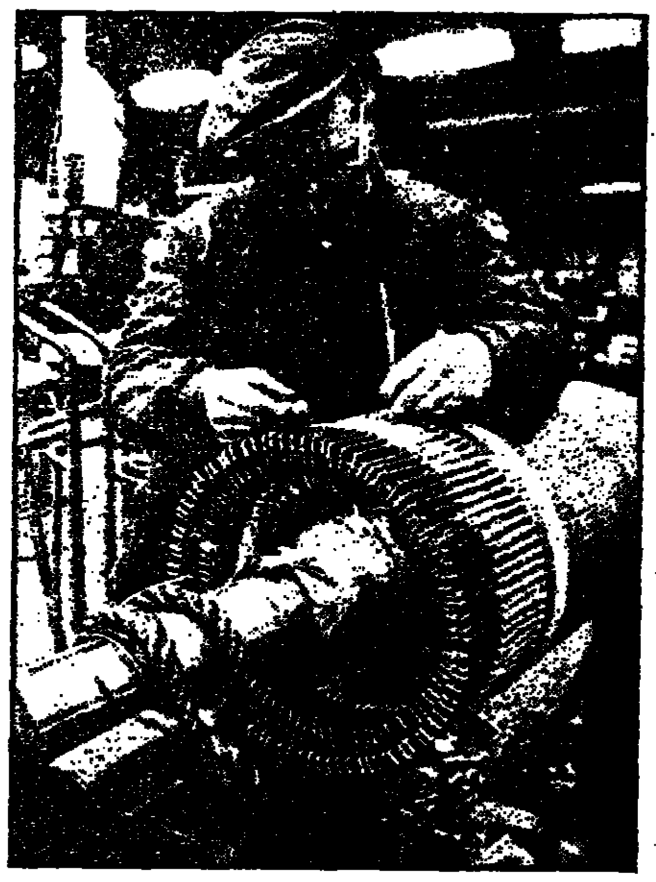
This requirement has to be seen in the light of the fact that the running costs of the railway require heavy subsidies, in spite of the fact that passenger traffic—international and national—has been growing steadily over the past ten years.

The first trains in Luxembourg began operations on October 4, 1859, and there have been many celebrations this year of the 125 year history. Significantly, the first trains were to Brussels and Metz, emphasising the international base of the railway.

The possible TGV link-up of Paris, Brussels and Cologne—which would probably include *Luxembourg—could* re-emphasise the importance of the country to the international network.

For the bulk of its earnings from freight, however, CFL must contend with the fact that it is "on the way to everywhere" but it is not at the hub of Europe's communications.

Hazel Duffy


Overhauling a turbine at the AEW repair works.

Porcelain made for export

PRACTICALLY THE entire output of the porcelain factory of Villeroy and Boch on the outskirts of Luxembourg city is destined for export, to West Germany, France, and now above all the U.S. From a site where the company has made earthenware, stoneware and porcelain since 1767, the reputation of the Grand Duchy is being spread around the world on the bottom of dinner services.

More than 1m separate pieces of porcelain are stacked 30 ft high in the warehouse at Septfontaines.

The company's Luxembourg *factory, once the hub of the* family business, is now just one arm of an enterprise with 14 *factories, 14,000 employees, and* a headquarters in Mettlach, West Germany.

*Septfontaines, where Pierre-*Joseph Boch set up business 22 years before the French Revolution, to take advantage of tax advantages and privileges offered by the Empress Maria Theresa of Austria (Luxembourg has been in this game for longer than one thinks) is now just one of four factories in the dinnerware and crystal division. But when it comes to the export of porcelain, Luxembourg is in charge for the whole group.

Indeed, the Luxembourg division has been enjoying a remarkable renaissance in the past eight years or so. Figures are a little hard to come by, but employment has virtually doubled from about 600 to 1,100 in that time, and output is now running at 1.2m pieces a month, more than double the level 10 years ago.

The secret of their success has been in the marketing of a whole range of new and often highly-original designs in the staid old world of dinnerware and by concentrating almost exclusively—about 95 per cent—on export, designing patterns aimed at individual markets.

The breakthrough came with one they call Naif, a whole *series of scenes from town and* country life, painted by naive artist Gerald Laplau.

"Naif is our third pattern now and that was our breakthrough in the U.S.," says Mr Robert Meyer, commercial director at the factory. "It has been an extraordinary success, both in the U.S. and in France."

The idea is that sometimes it *pays to come from a small* country. "The manufacturers in big countries like the UK or West Germany have such big internal markets, they don't have to bother too much with exports," Mr Meyer said. "We have no internal market, so we must be export-minded."

As a result, the Luxembourg porcelain works has a reputa*tion in the industry for produc*ing original designs and breaking new ground, almost entirely *using the work of freelance* artists.

The factory is now the fourth largest employer in Luxembourg, although its workforce is almost two-thirds foreign: the workers, 60 per cent of whom are women, come from villages across the borders in *both* France and Belgium, brought by bus every day.

Quentin Peel

Capacity utilisation in industry
(per cent)

	1982 Dec	1983 Mar	1983 June	1983 Sept	1983 Dec	1984 Mar
Steel	61	63	52	65	65	73
Clothing	91	93	87	88	86	80
Printing	79	82	81	83	79	81
Plastics processing	85	92	93	95	93	91
Chemicals	81	85	85	85	82	84
Rubber	90	93	94	93	96	97
Non-metallic mineral products	68	78	83	84	62	80
Metal working	81	75	81	83	83	86
Mechanical machinery	77	76	69	74	72	80
Vehicles and components	—	85	95	70	60	58
Artificial fibres	—	—	—	—	—	50
Industrial average	70	72	67	74	72	78

Source: STATEC

Satellite TV extends coverage

"IT'S MIRACULOUS," says M Gust Graas, president of Compagnie Luxembourgeoise de Télédiffusion. "A socialist government has given the two best satellite channels in Europe to a company based in Luxembourg."

For most Europeans, Luxembourg is not so much a country as a broadcasting station. More than 40m EEC citizens each week listen to or watch programmes of Radio-Télé-Luxembourg, CIT's trade name.

In Belgium, nearly 80 per cent of homes are on the cable circuit that pipes in RTL programmes direct. North-east France and the Saarland, West Germany, also receive the TV signal. Radio penetration reaches most of Europe with the UK, a relatively obscure colony of the RTL empire, providing an audience of more than 1.5m nightly for the legendary output of Fabulous 208.

Exclude

But up until now, 54 years since its foundation, the RTL *operation* has been *hamstrung* by a jealously-guarded nationalistic broadcasting law that *excludes the transmitters of* foreign nations.

This is despite CIT's *genuinely international financial* profile. The Government, more than aware that its *LFr 1bn ($16.6m) tax revenues* from the company are the biggest single contribution to the Treasury each year, has ensured that a majority of Luxembourgeoise dominate the board. And it is also insisted that operations remain based in the Grand Duchy.

But ownership is in fact held by many companies, the largest stake by the Belgian Groupe Bruxelles Lambert through Audiofina but others also by such groups as Banque de Paris et des Pays-Bas. There is also a new link with the West German *publishing* giant Bertelsmann, which has taken a 40 per cent stake in the *newly-launched* German television programming.

The coming of the age of the *television satellite* is now about to change RTL's long confinement to the vicinity of its borders, at least allowing it to realise its international ambitions.

The impact of the deal will be to expand RTL's television "footprint" — broadcasters, jargon for the signal's geographical spread—to about 80 per cent of France and West Germany, Northern Italy and parts of Spain, the Netherlands and the UK.

In a stroke, a television audience of something over 4m will be expanded to a potential 200m, with all the consequent implications for ratings and advertising.

At the same time, the relative costs of this growth are small. Certainly, the price of leasing the satellite channels will be substantial (CLT will not reveal figures and France is understood to be raising the price) and there are a number of *unknown elements in the* satellite experiment—how many subscribers will invest in the costly *disc aerials is just one.*

M Graas also points out that the company has had to revise its target of breakeven within four years. "The landscape in France and Germany has changed so rapidly we are working on a new calculation. The rules are changing all the time," he says.

But programming costs, *though* rising yearly, should not be dramatically increased. And the company appears determined to maintain its tight staffing levels. With a new German service now on the air, RTL will simply broadcast to a larger audience, initiating in-house about 55 per cent of its total programming and buying in material such as U.S. films and rock shows from elsewhere.

Controversy

But with cabling still in its infancy in most of Europe, no one has doubted that satellite broadcasting is the route to follow. What has stirred controversy, is CLT's choice of the French project.

The issue merged as a major row during this summer's election campaign when the former Prime Minister, M Pierre Werner, called for the creation of a Société Luxembourgeoise de Satellite to develop an alternative project with an American consortium for the GDL-Coronet satellite scheme.

This was an altogether more ambitious plan involving the use of a satellite capable of *performing the dual function of* television broadcasting and carrying telecommunications traffic.

The scheme met immediate opposition both from the Socia*list* opposition and M Graas. They claimed that the alternative project threatened to undermine negotiations with France over TDF 1.

The French feared that GDL-Coronet could launch a U.S. television bridgehead in Europe and warned covertly that it could provoke retaliation against both RTL and Luxembourg's financial market.

M Graas also feared the complications of moving into the telecommunications field. "With Direct Broadcasting Satellites the responsibility for programming is with the broadcaster; with telecommunications the legal responsibility *is left* with the Post Office," he points out.

In effect, the GDL-Coronet project has not been shelved indefinitely, though, officially, further feasibility studies are under way.

On reflection, the decision was probably right. The EEC's attempts to harmonise broadcasting regulations across the airwaves of the Ten—first presented this summer—are far from fruition. To add to these the even more labrynthian complexities of national and international telecommunications and post office laws and political opposition *smacks of unrealistically* vaulting ambition.

RTL's current plans are, after all, *ambitious enough.* The TDF 1 satellite project itself is already delayed through tech*nical problems and it is yet too* early to estimate with any accuracy how warmly the viewing public will embrace the extra costs for reception, or advertising companies' interests in the new outlet.

Meanwhile, CLT is rapidly expanding its subsidiary operations, including a chain of international production companies and magazine publishing.

Miracles, after all, tend to take a little time.

Ivo Dawnay

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Success in attracting industries

Diversification

IVO DAWNAY

AN ACCURATE sense of scale tends to be illusive in Luxembourg's small town atmosphere—not least in the Rue de la Congregation, an alley-sized street that houses several ministries along with the Societe Nationale de Credit et D'Investissement (SNCI).

But for the SNCI, the Grand Duchy's main agency for attracting foreign investment, scale plays a major part in the sales drive. And the stakes, at least, are large.

M. Raymond Kirsch, the SNCI president, is more than aware that there are few prizes for quaintness in the international scramble to draw job-creating industry. Instead, he makes the intimacy of Luxembourg's government machine work for him.

"If you presented me with a company with all its plans fully drawn up, I could deliver two ministers' signatures approving the scheme within 24 hours," he says.

Concentration

Few, if any, rival countries could offer the same service, though few also have suffered the same concentration of industry in a single sector.

Despite a diversification policy founded in the 1950s, only a decade ago more than 60 per cent of Luxembourg's exports in goods came from the steel industry, accounting for a quarter of the Grand Duchy's gross domestic product and employing 18 per cent of the labour force.

To tackle the problem, SNCI was set up in 1977 to organise an orderly retreat from steel and the creation of a new and much more diversified spread of industrial interests.

The level of its success can be measured in the attraction of 55 companies to the country, investing some LFr 20bn and creating more than 3,000 jobs.

But this has to be seen against the shake out in steel and related industries. Since 1975 the sector has shed some 12,000 jobs and cut production by half. SNCI, meanwhile, currently claims a job creation rate in new industries of about 500 jobs a year, and M. Kirsche would like to see that rise to an average 1,000 with a rate of between 1,200 and 1,400 over the next four years.

The weapons SNCI has at its disposal comprise a mixture of tax incentives, credits and loans, backed up by a healthy balance sheet that this year looks set to rise from LuxFr 9.4bn to about LuxFr 12.5bn and showing gross profits of around LuxFr 200m.

As applications come in, the investment board seeks to achieve a rough parity in the share of the risk between the applicant company, the banks and the state, with the SNCI offering loans of up to 25 per cent of the cost of capital equipment to be installed.

The main channels for support include:

- Equipment credits loaned at a rate of 4.5 per cent with a special guarantee fund covering the risk;
- Classical long-term loans, usually averaging about 10 years at a rate of 10.5 per cent, but ranging from 5 to 15 years. SNCI refuses short-term business.
- A new formula capital loan on variable interest rates but only repayable at the end of the 5 to 10 years lending period;
- In exceptional circumstances, the Government will also consider taking equity in an enterprise—but this is only in exceptional circumstances on the company's request;
- SNCI also handles the payment of the European Coal and Steel Community's aids for Luxembourg along with export credit financing.

The organisation has also followed the Europe-wide trend towards creating industrial parks, and so far has created about 900 hectares of specially designated areas for new development schemes.

But, despite these efforts the Luxembourg Government believes that more must be done to compete with the massive incentives on offer in rival countries.

M Kirsche makes it clear that there are no ambitions to be competitive with regions on the periphery of the EEC—Ireland or Southern Italy for example—where incentives to industry are immense.

"We are a high wage country—a little lower than the Belgians or Germans—but the Dutch, for example, are very competitive," he points out.

In an effort to boost further the attractiveness of the Luxembourg option, Prime Minister Jacques Santer gave heavy emphasis to industrial diversification in his Government declaration released last July shortly after the new Government was installed.

This promised to raise the financial resources and increase the capacity of SNCI to intervene, specifically promising to promote investment and savings in job creating enterprises including the issuing of shares in SNCI to the public.

Legislation in preparation for presentation to the Parliament next year is also expected to allow a review and revision of the rules on the writing-off of capital investment against tax.

Companies will also be given tax incentives to reinvest profits in capital assets and a special law will be introduced giving incentives for risk capital.

Repeal

Furthermore, legislation now under discussion may repeal the 15 per cent ceiling set by law on the level of subsidy to new investment the SNCI may give to any one company or project. The Government is particularly anxious to boost the fortunes of the southern part of the country—the area most devastated by the decline of steel.

To do so, it is expected to regionalise the diversification policy, thereby allowing more flexibility in directing the incentive schemes to where they are most needed. Companies wishing to set up in the worst hit areas may as a consequence be able to claim Government financial support of as much as 25 per cent for new capital investment, though this ceiling figure is still being debated.

Interestingly, however, Luxembourg has not followed its European colleagues in pursuing with any particular vigour the new technology industries. Civil servants have estimated, with some justification, that these capital intensive activities are not necessarily the ones that generate most work.

Substantial success has been achieved with the chemicals industry with the notable exception of Monsanto which closed its fibres plant in 1980 after 15 years with the loss of 1,000 jobs.

Much emphasis has, however, been made on research and development programmes where companies have been allowed higher tax write-offs than those allowed for other capital equipment. The proviso, of course is that the fruits of this research are exploited within the Grand Duchy.

A quick scan of the companies attracted to the country reflect this tendency to specialist activities. Revealingly, perhaps, only nine of the 55 companies attracted to invest have started with more than 100 employees, many have less than 50.

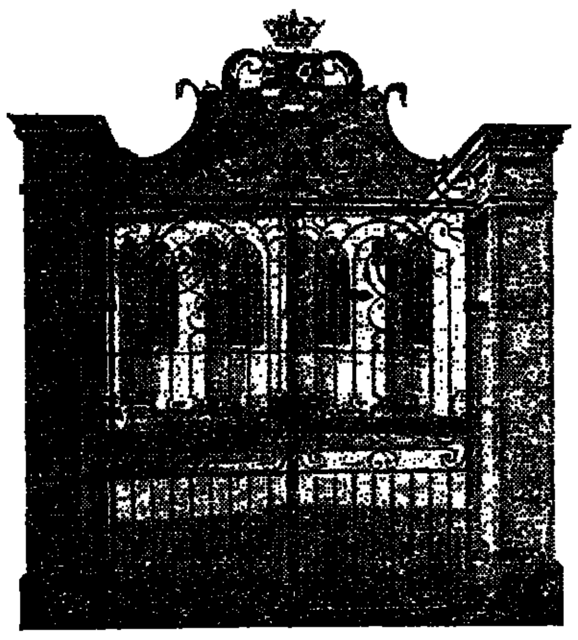
It is this aspect of the politics of scale that perhaps makes Luxembourg an attractive option—a gamut of incentives, though perhaps no greater than those of rivals, look a great deal more seductive when they are presented by an intimate administration, low on red tape and in the heart of the great markets of the EEC.

New businesses in Luxembourg*

Sector	Number of companies	End-1983 employment
Production and first processing of base metals	2	115
Processing of non-metallic mineral products	7	413
Chemical industry	3	75
Metalworking	8	393
Manufacture of machines and equipment	3	77
Car manufacture; spare parts	4	408
Manufacture of precision instruments, optical equipment, plastics for electric and electronic industries	3	458
Paper industry, printing and publishing	2	38
Rubber manufacture and plastic processing	9	444
Other processing	41	2,421
Building and civil engineering	3	68
Wholesale and retail trade	4	98
Transport and distribution	2	62
Other activities	6	647
Total	56	3,295

* Set up since 1975

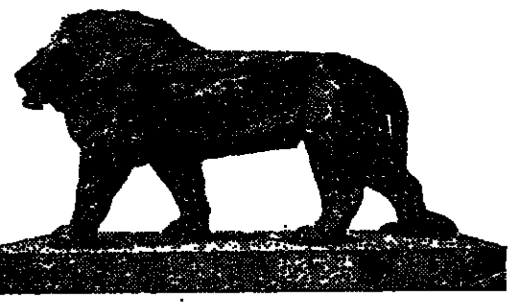
Source: Department of Information, Luxembourg



Baroque gate leading to the courtyard of the Foreign Office, formerly refuge of the Trier Abbey, St. Maximin.

View of the second garden portal of the Mansfeld Castle in Clausen.

The Alzette Bridge in Clausen.



One of the two lions in front of the Town Hall.

Monument to King and Grand Duke William II (1840–1849).

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Capital funds	93 million US $

Extracted from the balance sheet of NORD/LB Luxemburg Dec. 31, 1983 (US $/Flux 56,48).

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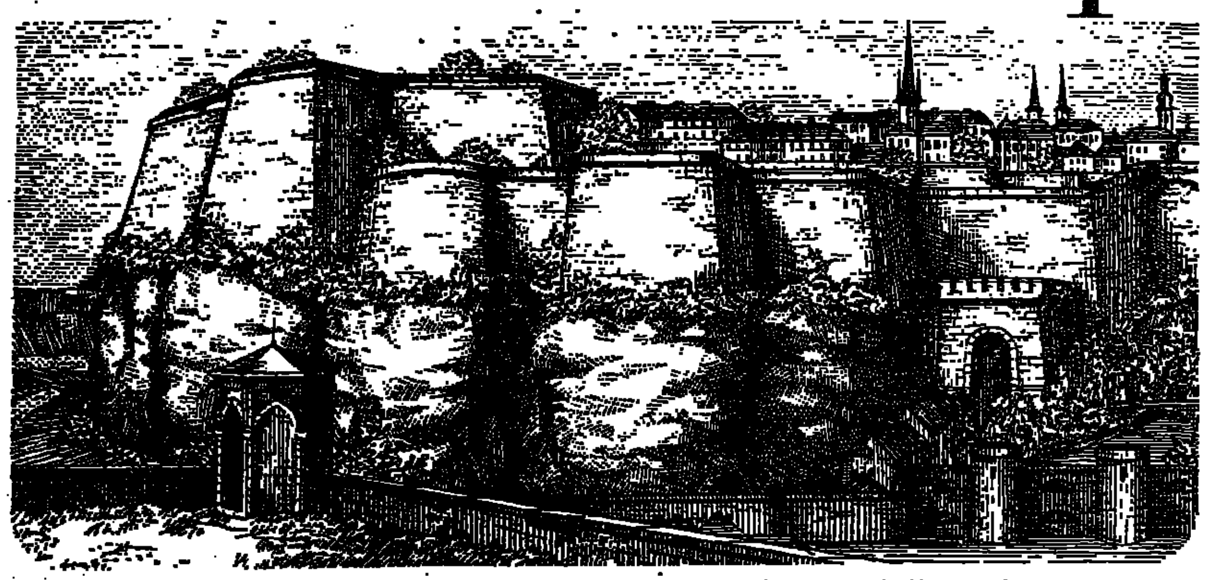

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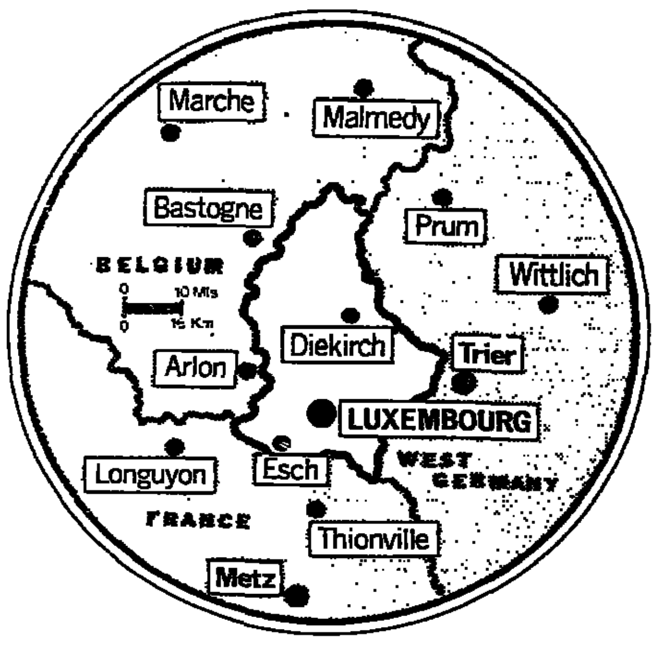
Luxembourg's policies and style of diplomacy make the Grand Duchy the most community-minded of the EEC countries

Demonstration of the art of compromise



IT IS an abiding irony that the most famous decision of the European Community to which Luxembourg lends its name—the so-called Luxembourg compromise—means just the opposite.

Never precisely defined, it was the agreement by which any individual member state can, and all too frequently does, refuse to compromise on a particular issue on the grounds of "vital national interest." Introduced at the insistence of General de Gaulle in the interests of France, it has latterly been well exploited by Mrs Thatcher in her battle to win back a budget rebate for Britain.

Part of the irony is that Luxembourg, by far the smallest member state, is itself often the very embodiment of compromise in the Community.

"With one or two exceptions, we have no points on which we can never compromise," says M Jean Dondelinger, for many years permanent representative of the Grand Duchy to the EEC and now the top civil servant in the Foreign Ministry. "That means if we play it well, the outcome is usually close to our position."

Indeed, by most yardsticks, Luxembourgers must qualify as the closest thing to true Europeans in the Community.

On the one hand, they speak more languages than anyone else. Practically everyone speaks at least two, most of the population speaks three, and a very large number are perfectly competent in four: French, German, Luxembourg's own inimitable dialect, and English, Dutch, Italian and Portuguese are often thrown in for good measure, thanks to immigration.

On the other hand, Europe impinges on everyone's life. For a start, foreign policy is by definition European policy, and foreign relations do not extend significantly beyond the confines of the Community. In addition, the presence of a whole host of European institutions is pervasive both physically and economically.

Yet all is not quite sweetness and light. Two issues above all go to the heart of the Grand Duchy's relations with the wider Community, issues on which Luxembourg itself may have to cite the Luxembourg compromise.

One concerns its status as a centre of European institutions, what is known as "la politique du siège." The other is the subject of free movement of labour, and the influx of immigrants that is likely to entail.

Identity

Luxembourg could once very well have been a sort of neutral Washington DC for a United States of Europe. In the end that was scotched by the fear that such a role might swamp the national identity, quite apart from bringing in a flood of non-Roman Catholic and probably loose-living Eurocrats, so Brussels got most of it.

Today the Grand Duchy is a sort of half-capital of Europe, but none the less determined to keep it that way. The problem is that the pull of Brussels is very strong, and Luxembourg has to fight a continual battle to resist it.

"It is not just a matter of setting up buildings, and having 3,000 or 4,000 consumers boosting the national economy. The problem is to overcome the absurdity of having a national sovereignty with fewer than 400,000 people," according to one leading official.

The most bitter struggle has been to hold on to some part of the European Parliament, which used to meet both in Luxembourg and Strasbourg. It is now almost four years since the MEPs last used their hemicycle on the Kirchberg, centre of European institutions on the outskirts of Luxembourg city itself.

The Luxemburgers are themselves partly at fault: they rejected an over-ambitious design for a new Parliamentary building, which would have provided all the members with their own offices. Strasbourg saw its chance and built one. So the MEPs decided they would hold all their monthly plenary sessions in the latter, their weekly committee meetings in Brussels close to the European Commission and simply keep their permanent secretariat (2,300-strong) in the Grand Duchy.

The Luxembourg hemi-cycle may yet be used again, because it can accommodate all the members and interpreters of an enlarged Community, when it expands to include Spain and Portugal, whereas Strasbourg will have to be extended. But the respite is likely to be only brief.

For the rest of the institutions, Luxembourg insists that all relating to finance and the law should be based there. That means the European Court of Justice, the European Investment Bank, and any proposal in the future to have some sort of European central bank, in addition to the European Monetary Fund. The Court of Auditors, part financial and part legal, also belongs.

The Commission has promised to maintain staff numbers, ever since the European Coal and Steel Community headquarters went to Brussels, and now keeps some 2,100 based on the Kirchberg in a variety of divisions, from the computer centre and statistics department to publications, translation services, investment division and general administration.

Any reduction would be strenuously resisted by, for once, an uncompromising Luxembourg.

The other key sticking point for Luxemburgers is immigration. Once again, feelings are ambivalent, between the need to preserve national identity, and the desire to attract vitally-needed workers to run both services and industry.

The result has been a remarkable 37 per cent of the workforce coming from outside the country, although in overall population terms the figure is only 26 per cent. They come from Belgium (where Luxembourg province is virtually a labour colony of the Grand Duchy), France and Germany to work during the day, but more importantly from Italy and Portugal on a more permanent basis.

Italian immigration dating from the start of the industrial age has been remarkably well integrated, but the fear now is that when Portugal comes into the EEC, a huge influx could upset the whole Luxembourg labour market.

"For us, the labour market is as sensitive as olive oil or vegetable imports are for others." M Dondelinger says. As a result, Luxembourg has persuaded its nine fellow members to seek a 10-year transition period before allowing free movement of Portuguese and Spanish workers after accession.

Perhaps both issues—immigration, and hosting the European institutions—simply confirm that Luxembourg is as "European" as any other EEC member state after all. There are some issues on which national interest is paramount, and compromise very difficult to stomach.

Quentin Peel

Power by co-operation

Influence won through pacts

LUXEMBOURG uses influence as a substitute for power. If there is a single dominant theme in its diplomacy, it is the efforts made to avoid being trampled on.

The result is a series of alliances, in which the Grand Duchy is always the junior partner, but which nonetheless provide the means to prevent it being ignored. Closest to home is the Belgium-Luxembourg Economic Union (Bleu) which fits neatly into Benelux, making the link with the Netherlands, which itself fits into the European Community and in a wider sense into the North Atlantic Treaty Organisation.

The 1914-18 War destroyed Luxembourg's link with Germany through the Zollverein, a customs union of the German states with which it had been associated since 1842. The war also interposed political frontiers between the natural economic unit of Saarland, Lorraine and Luxembourg. Now, running in parallel with the firmer and more established unions, there is an attempt to re-fashion some of the links between these three regions.

Bleu, more than 60 years old, is the base. Within it, relations are back to normal again after the upheaval of, and resentment in Luxembourg about, the sudden devaluation of the Belgian franc in spring 1982.

The Belgian and Luxembourg francs are held at par, but one of the results of that crisis in relations—"the only tangible numerical result," according to Mr Pierre Jaans, director-general of the Luxembourg Monetary Institute—is to raise the amount of banknotes, Luxembourg issues itself.

Distribute

After the 1982 crisis, Luxembourg won the right to issue 20 per cent of the notes in circulation, up from 10 per cent previously. It has been preparing an issue of LFr 1,000 notes which, in the absence of any purely Luxembourg figures on cash habits, it will distribute at the same rate as Belgium would do.

A less tangible result of the 1982 row, said Mr Jaans, is better co-operation and consultation between the LMI, the Grand Duchy's equivalent of a central bank, and the National Bank of Belgium.

Neither is running a money target policy. Basically their monetary policy is interest rate oriented, Mr Jaans explained. But because there are only three or four institutions in Luxembourg — notably the Caisse d'Epargne de l'Etat—which are instrumental in establishing interest rate trends. Luxembourg rates continue to be slightly lower than those of Belgium.

Both Belgium and Luxembourg are committed to holding the Belgo-Lux franc as close as possible to the strongest in the European Monetary System. They have achieved stability seen in the perspective of a decade. Since 1972, the Belgo-Lux franc has depreciated less against the Deutsche mark t a x any other EEC currency except the Netherlands guilder.

These monetary developments are the cement between two economies which have developed in tandem. Most strikingly, over the last year the steel industries of the two have become more closely linked through production sharing and investment agreements. Belgium in any case supplies Luxembourg with more of its imports in value terms than any other country and is the second largest market for Luxembourg products.

Both countries are keen to see their ties with the Netherlands through Benelux tightened. The three consult about monetary matters, but closer links in this area seem to be ruled out.

"It is no secret that the Netherlands has been able to pursue a different exchange rate policy," says Mr Jaans. "They have gas and industry which is not performing too badly. So they have been able to peg their currency practically to the Deutschemark."

So the drive for greater co-operation in Benelux, endorsed by the Luxembourg Government at the 40th anniversary celebrations of the organisation last September, will be directed elsewhere.

The latest economic initiative taken by the three has been to introduce a common customs document for exchanges between them, a precursor to a wider development within the EEC. But for the Luxembourg Government, which feels that institutionalised economic co-operation has run its course over the last 40 years and is not likely to go much further, the major interest is political.

"Benelux is one of our possibilities to increase our weight in the EEC," said Mr Jacques Poos, the vice-president of the Government.

And after the EEC, the wider world. Benelux wants to be accepted as a bloc and take its seat at the summit meetings of the major industrialised nations. It can demonstrate, noted Mr Poos, that it is the fourth largest exporter in the world and the fifth largest importer.

Paul Cheeseright

Reviving battered region

SAAR-LOR-LUX is not an international acronym that trips off the tongue. It is in fact a loose agreement to co-operate between the Luxembourg Government and the provincial governments of Saarland in Germany and Lorraine in France.

The great difficulty is that the major decisions affecting Saarland and Lorraine are taken in Bonn and Paris, so that the official opportunities for combined economic action to beat recession and stimulate industrial regeneration remain limited.

Frontiers have torn apart what until the 1914-18 War had been a natural economic region based on heavy industry. But more recently the recession of the 1970s has exposed the severity of decline. The steel and coal of the region are no longer the motors of economic progress, but the infrastructure of the region remains, albeit somewhat battered.

Owner

Businessmen in the three areas, formed into the Inter Regional Institute, are now trying to foster the co-operation that eludes governments. The present chairman is Mr Norbert von Kunitzki, a senior executive at Arbed, the Luxembourg steelmaker which is still the titular owner of a major plant in Saarland.

He explains that the institute is seeking to push governments into making marginal investments to help pull the region together; anything to soften the effect of the frontiers and stop people from drifting out of the region.

For example, the institute is pushing for greater co-operation between the railways, so that without additional capital investment there would be a circular route joining cities of the region — Trier, Kaiserslautern, Metz, Nancy, Luxembourg itself and back to Trier again.

In addition, the institute has prompted the establishment of an inventory of the region's resources, and it has pushed for a common core of studies at universities in the region. And it is advocating a joint system of flood warnings for the Moselle, which regularly overflows.

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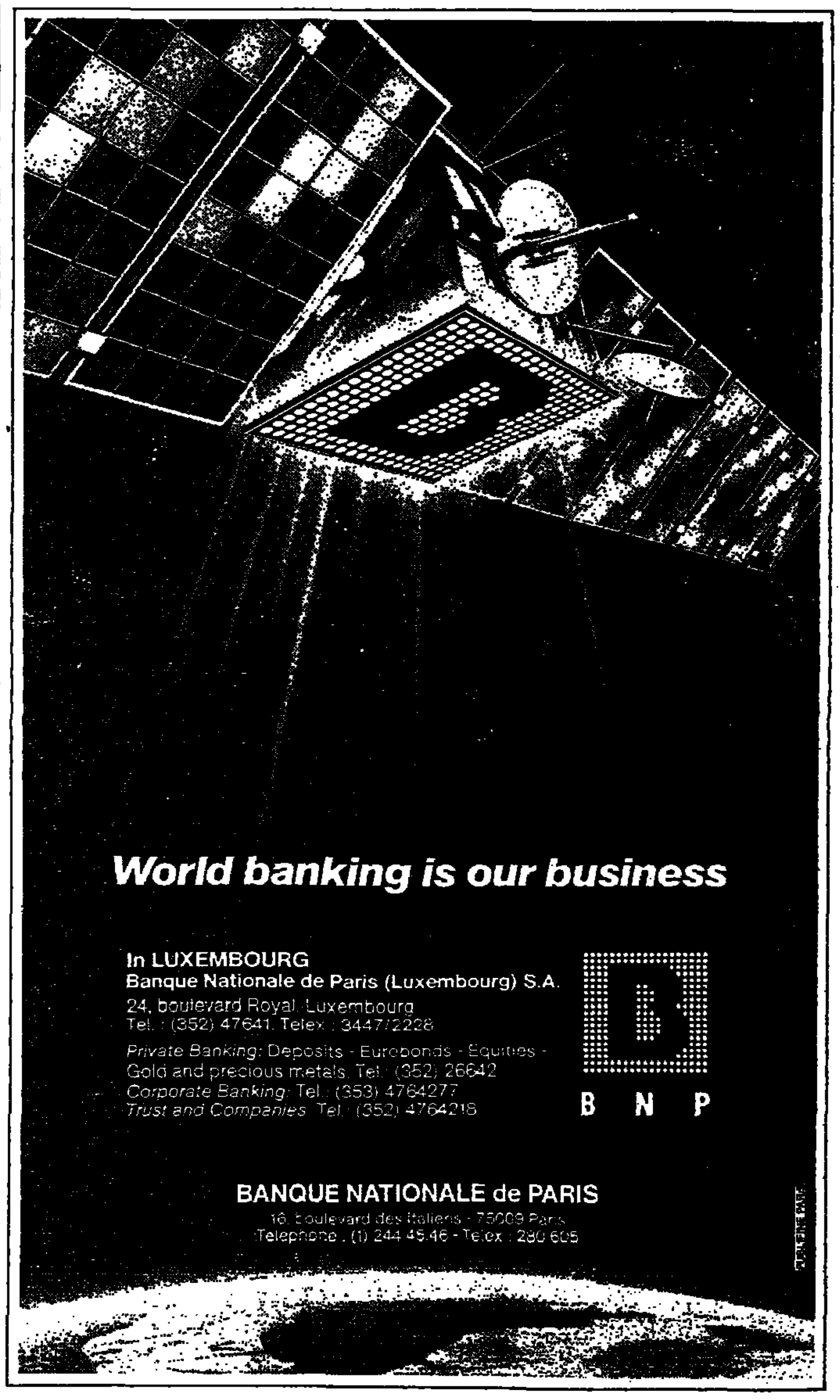

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African Development Bank issues first subordinated debt

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

THE AFRICAN Development Bank became the first multilateral development bank to issue subordinated debt last week with the launch of a $100m floating-rate note and a $250m, 10-year Euronote facility, which is being arranged by Dean Witter Capital Markets and S.G. Warburg.

The concept of subordinated debt seems rather unlikely for a development bank with its capital owned by its member governments. Implicitly at least, those governments back up all the bank's borrowings through its right to call on them in time of need to pay in additional capital. That being said there seems to be little point in trying to rank its debt with a distinction between senior and subordinated borrowing.

The African Development Bank, which was established in 1963, is a relatively young institution that has only recently started to tap the public bond markets in any sizeable way. In such markets it has to defend itself from the suspicions of investors who worry about the quality of the capital backing from some of those African member countries that borrow from it.

As part of that defence, it has decided to limit the issue of senior debt to 80 per cent of the total callable capital of member nations (basically industrial countries) that do not borrow from it.

Priority would be given to repaying that debt in the event of a default that forced the bank to call in capital from its shareholders.

Such a self-imposed limitation would also mean that the bank's total borrowing capacity would be restrained if it were not able to create another class of debt that was entitled to no such priority. Hence the introduction of subordinated debt which is subject only to the broad limit that the bank's total borrowing must not exceed 80 per cent of the callable capital of all member countries.

The bank has thus found a method of increasing its borrowing without jeopardising its rating in the bond markets, where its senior debt is rated AAA by Moody's and AA by Standard and Poor's. That might be food for thought for other development banks, such as the World Bank, which is being urged from many quarters to expand its activities as one contribution towards easing the developing-country debt crisis.

The World Bank's proven track record in the markets, its high net earnings and liquid reserves of $15bn means that it feels under no pressure to enhance the quality of its bond market borrowings in that way. In fact, it has always resisted any suggestions of adjusting its gearing ratio, which is in any case calculated without reference to its borrowing level.

The African Bank's facility carries an underwriting fee of ⅛ per cent and involves the sale of Euronotes bearing an interest rate at a margin ⅛ per cent below London interbank offered rate (Libor). Lead underwriters are Sumitomo Trust International and Amro International.

It came in a week when Euronote business again dominated the Eurocredit market. Nestlé's $1bn facility was heavily oversubscribed, attracting contributions totalling some $1.7bn by Friday night, and Occidental Petroleum took the unusual step of launching a $200m, five-year facility without any intermediating investment bank.

It has invited banks to enter the facility on terms that include a ⅛ per cent underwriting fee, a maximum yield for the Euronotes of 20 basis points over Libor and a front-end fee of 20 basis points.

Elsewhere, India is proceeding with its borrowing plans. Its Industrial Credit and Investment Corporation has begun sounding the market on a $40m borrowing.

Floaters bellyflop on to softening bond market

FLOATERS are being renamed sinkers in the Eurobond market. Last week saw a spate of floating rate note issues in the dollar sector, totalling $1.22bn, writes Maggie Urry in London.

Some bellyflopped into the softening market, and by the end of the week these normally staid instruments were falling faster than fixed rate issues.

Some of the earlier issues were successes. African Development Bank and National Commercial Bank of Saudi Arabia were both doing well even on Friday morning when the market was at its worst.

Four deals – those for National Bank of Detroit, Republic New York, First City Bancorporation of Texas and Rothschild – were well under water by the weekend.

Dealers blame a combination of a poor market, little-known names (at least in the bond market) and bad pricing for their downfall.

By Friday all four were trading well outside their fees, even after a small recovery in the afternoon when the panic sellers finally dried up. Republic New York was bid at 98½, adrift of total fees of 88 basis points, while Rothschild, where gross commissions were 100 basis points, was bid around 98¼.

Fixed rate issues were suffering by Friday as well, with the New York market sliding. Syndicate managers are beginning to wonder whether they should turn down deals which come in special registered form. The issue from Federal Home Loan Banks was offered on Friday at a discount of 2¼ per cent compared with fees of 1⅞ per cent.

Co-managers can hedge their positions against the U.S. Treasury market, which the FHLB deal followed down, but investors are getting no less wary of this type of paper, making the bonds slow to sell.

Significantly, FHLB's issue was priced at a similar yield over Treasuries as it would pay in the U.S. domestic market – meaning that there is no interest saving for it in coming to the Eurobond market.

Dealers were also able last week to buy the U.S. Treasury's targeted issue cheaper than the equivalent bonds are in the domestic market. That gives them a profit if they convert the bonds back into the domestic, registered form. Once back in the U.S., the bonds cannot be reconverted, so the pool of special registered bonds in Europe could start dwindling, making the secondary market less and less liquid.

If that happens, future Treasury targeted issues will be even harder to sell.

By Friday the primary market had ground to a halt. The secondary market almost closed for Christmas at the start of the week, with traders unwilling to upset positions carefully set for the year-end. Prices last week were lower, by as much as a point in places.

In the Eurosterling sector, S.G. Warburg launched a £30m issue for the paper group Reed International on Friday. This comes with a £20m tap which can be activated over the next year. At a price of 98½, the bonds yield 11.65 per cent compared with the annualised yield on UK government stocks of 11.40 per cent.

Friday also saw another Norwegian krone issue, for Eksportfinans. With the success of the Norsk Data issue still in the front of investors minds, this new issue was trading well on Friday. There is always the possibility that it could be increased.

In the D-Mark market, issues with equity warrants were still appearing and doing reasonably well despite the heavy load of such paper. Herlitz was the pick of the crop, though by Friday that was slipping back to around 102. UBS's equity warrants issue was stuck below par, though.

Seasoned bond prices were gainers last week, adding around ¼ to ½ point.

The Swiss franc foreign bond market enjoyed a good week, with prices gaining as much as ¾ or even 1 point in places. Coupons on new issues are firmly re-established below the 6 per cent level, with some issues having indicated coupons reduced at the final fixing.

Swiss investors are again being given the chance to buy paper denominated in European Currency Units, with an issue lead managed by the big three Swiss banks' London branches. These will underwrite just over half the issue, and the bonds are destined for distribution in Switzerland.

The pull of the more traditional Benelux investors may prove too strong, if the Swiss do not keep a tight hold of the paper. By Friday the bonds were bid at 100¾.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
Nippon Electric §‡	150	2000	15	2⅞	100	CSFB, Yamaichi Int., Daiwa, SBCI	2.875
Komori Printing ¶	30	1990	5	(8)	100	Yamaichi Int., Fuji Int. Fin., CSFB, Merrill Lynch	*
African Dev. Bk. †(b)‡	100	1996	12	⅛	100	S. G. Warburg, Dean Witter	–
Marine Midland †(c)‡	150	2009	25	3/16	100	CSFB, Lehman Bros.	–
ENEL †(b)‡	300	2000	15	⅛	100	Soc. Generale, BoA Int.	–
CBS Inc. ‡	100	1992	8	11⅜	99½	SBCI, Mgn. Stanley, S. G. Warburg	11.474
LASMO §	45	1999	15	(6¼)	(100)	Citicorp Int., Mgn. Grenfell	*
First Boston †(b)‡	50	1994	10	⅛	100	CSFB	–
Toyo Menka §	50	1999	15	(3¾)	100	Nomura Int., Nikko Secs (Eur), Tokai Int.	*
Nat. Com. Bk. S. Arabia †(b)‡	200	1994	10	⅛	100	BoA Int., CSFB, Lehman Bros.	–
Rep. New York Corp †(d)‡	150	2009	25	⅛	100	Salomon, Lehman Bros., Merrill Lynch, Bear, Stearns	–
Nat. Bk. of Detroit †(d)‡	100	1996	12	⅛	100	Mgn. Stanley, Bk. Tokyo Int.	–
Fed. Home Loan Bks. ‡	200	1989	5	11	99¾	CSFB, Goldman Sachs, Mgn. Guaranty, Salomon	11.068
United Technologies ‡	150	1992	7	11¼	99½	Goldman Sachs, Salomon	11.357
Hammerson Property ‡	100	1989	5	12	99½	Kleinwort Benson, SBCI	12.139
World Bank ‡	300	1994	10	11⅝	99.85	Merrill Lynch	11.651
Sekis Φ‡	150	1989	4	10½	97¾	CSFB, Paribas, Deutsche, UBS (Secs)	11.229
1st City Bancorp of Texas †(c)‡	100	1995	10	3/16	100	Mgn. Stanley, Paribas, CSFB, Hill Samuel, Man. Hanover, Mgn. Guaranty, Orion	–
Rothschild †(e)‡	75	2015	30	¼	100	Mgn. Stanley, Bankers Trust, Dai-ichi-Kangyo Int., N.M. Rothschild	–
Marubeni ‡	100	1991	7	11⅜	100	Yamaichi Int., CSFB, Kleinwort Benson, UBS (Secs)	11.375
D-MARKS							
Fuji Electric ¶‡	120	1990	5	3⅛	100	Deutsche Bank	3.125
IADB ‡	200	1994	10	7½	100	Deutsche Bank	7.500
Mitsubishi Metals ¶	100	1989	5	3⅛	100	Dresdner, Yamaichi Int.	*
Herlitz Fin. ¶‡	50	1994	10	3	100	Deutsche Bank	3.000
Gillette Cap. Corp. **‡	125	1991	7	7	100	BHF-Bank	7.000
Renwon Inc. §	80	1990	5	3⅛	100	Deutsche Bank	*
SWISS FRANCS							
New Zealand Steel (f)‡	50 min	1996	–	5¾	99½	Bqe. Gutzwiller K.B.	5.809
Sanko Co. **§‡	35	1990	–	2	100	Wirtschafts- und Prbk	2.000
First Boston ‡	60	1994	–	5¾	100¼	CS	5.716
Ishihara Sangyo**§	100	1990	–	(2⅛)	*	Swiss Volksbank	*
Tokyo Electric ‡	120	1993	–	5½	100¼	CS	5.461
Avon Cap. Corp. ‡	130	1994	–	5⅜	100	UBS	5.375
Tec Electronics **§	20	1990	–	(2⅛)	*	Banca del. Sviz. Ital.	*
Renown Inc. **§	100	1990	–	(2⅛)	100	UBS	*
Deutsche Bk. Fin. ‡	100	1995	–	5⅜	100¼	SBC	5.342
Creditanstalt ‡	100	1994	–	5½	100	Wirtschafts- und Prbk	5.500
STERLING							
CBS Inc. ‡	40	1994	10	10⅞	100	SBCI, Mgn. Stanley, S.G. Warburg	10.875
Reed Int. ‡	30	1994	10	11⅜	100	S.G. Warburg	11.375
NORWEGIAN KRONE							
Eksportfinans	200	1992	7	(10¼)	*	Christiania Bank	*
LUXEMBOURG FRANCS							
ASEA Fin. ‡	600	1989	5	9¾	100	Bqe. Gen. du Luxem.	9.750
GUILDERS							
Spain ‡	100	1995	8	8	99½	Amro	8.075
ECUs							
EIB ‡	100	1994	9	10⅛	100	SBCI, CSFB, UBS (Secs)	10.125
YEN							
Swedish Export Cr. ‡	10bn	1993	8.4	6.9	99.45	Daiwa Secs.	6.984
World Bank	20bn	1994	10	(6⅝)	(99½)	Daiwa Secs.	*
Goodyear Tire Co. ‡	12.5bn	1994	10	6⅞	100	Daiwa Eur., IBJ Int., Yasuda Tr. Eur.	6.875

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating-rate note. Φ With debt warrants. ¶ With equity warrants. (a) ¼ over 3-m Libor. (b) ⅛ over 6-m Libor. (c) 3/16 over 3-m Libor. (d) ⅛ over 3-m Libor. (e) ¼ over 6-m Libor. (f) Refixed after 6 yrs. Note: Yields are calculated on AIBD basis.

All these Bonds having been sold, this announcement appears as a matter of record only.

New Issue

November 1984

THE BRITISH LAND COMPANY PLC · Est 1856

THE BRITISH LAND COMPANY Plc
London, England

Swiss Francs 75 000 000
6½% Bonds 1984-1999

SODITIC S.A.

BANQUE GUTZWILLER, KURZ, BUNGENER S.A.

Algemene Bank Nederland (Schweiz)
Bank Heusser & Cie AG
Bank Leumi le-Israël (Schweiz)
Bank of Tokyo (Schweiz) AG
Banque Bruxelles Lambert (Suisse) S.A.
Banque Keyser Ullmann SA
Banque de Participations et de Placements S.A.
Banque Scandinave en Suisse
Chemical New York Finance (Suisse) S.A.
Compagnie de Banque et d'Investissements, CBI
Dai-Ichi Kangyo Bank (Schweiz) AG
Fuji Bank (Schweiz) AG
Handelsfinanz Midland Bank
The Industrial Bank of Japan (Schweiz) AG
Kredietbank (Suisse) S.A.
Manufacturers Hanover (Suisse) S.A.
Morgan Stanley S.A.
Nippon Kangyo Kakumaru (Suisse) S.A.
Phibrobank AG
Sumitomo International Finance AG

Amro Bank und Finanz
Bank Künzler AG
Bank Oppenheim Pierson (Schweiz) AG
Bankers Trust AG
Banque Indosuez, Succursales de Suisse
Banque Kleinwort Benson S.A.
Banque Pasche S.A.
Barclays Bank (Suisse) S.A.
Citicorp Bank (Switzerland)
Crédit des Bergues
First Chicago S.A.
Great Pacific Capital S.A.
Hottinger & Cie
Inter Maritime Bank
Lloyds Bank International Ltd.
Morgan Guaranty (Switzerland) Ltd.
New Japan Securities (Schweiz) AG
Nordfinanz-Bank Zürich
The Royal Bank of Canada (Suisse)
Société Générale Alsacienne de Banque – Groupe Societe Generale –

Crédit Commercial de France (Suisse) S.A.
Samuel Montagu (Suisse) S.A.
Banque Nationale de Paris (Suisse) S.A.
Internationale Genossenschaftsbank AG
Banca di Credito Commerciale e Mobiliare
Banca Solari & Blum S.A.
Bank in Huttwil
Bank in Ins
Bank Langenthal
Bank in Langnau
Bank Neumünster
Bank Rohner AG
Banque de Dépôts et de Gestion
Banque Louis-Dreyfus en Suisse S.A.
Crédit Lyonnais
Grindlays Bank p.l.c.
E. Gutzwiller & Cie
Overland Trust Banca
Rüegg Bank AG
St. Gallische Creditanstalt
J. Henry Schroder Bank AG
Società Bancaria Ticinese
Solothurner Handelsbank
Spar- und Leihkasse Schaffhausen
Volksbank Willisau AG

All of these Securities have been sold. This announcement appears as a matter of record only.

U.S. $100,000,000

Creditanstalt-Bankverein

14% Subordinated Bonds Due 1988
with 100,000 Warrants to Purchase
14% Subordinated Bonds Due 1991

MORGAN STANLEY INTERNATIONAL

CHASE MANHATTAN CAPITAL MARKETS GROUP Chase Manhattan Limited
DEUTSCHE BANK Aktiengesellschaft
EUROPEAN BANKING COMPANY Limited
GOLDMAN SACHS INTERNATIONAL CORP.
MANUFACTURERS HANOVER Limited
ORION ROYAL BANK Limited
S.G. WARBURG & CO. LTD.
AMRO INTERNATIONAL Limited
BANCA COMMERCIALE ITALIANA
BANK OF TOKYO INTERNATIONAL Limited
BANKERS TRUST INTERNATIONAL Limited
BANQUE BRUXELLES LAMBERT S.A.
BANQUE NATIONALE DE PARIS
BANQUE PARIBAS
BAYERISCHE VEREINSBANK Aktiengesellschaft
CITICORP CAPITAL MARKETS GROUP
COMMERZBANK Aktiengesellschaft
COUNTY BANK Limited
DRESDNER BANK Aktiengesellschaft
IBJ INTERNATIONAL Limited
LEHMAN BROTHERS INTERNATIONAL Shearson Lehman/American Express Inc
MERRILL LYNCH CAPITAL MARKETS
SAMUEL MONTAGU & CO. Limited
MORGAN GRENFELL & CO. Limited
MORGAN GUARANTY LTD
SALOMON BROTHERS INTERNATIONAL Limited
SOCIETE GENERALE
SOCIETE GENERALE DE BANQUE S.A.
SUMITOMO FINANCE INTERNATIONAL
SWISS BANK CORPORATION INTERNATIONAL Limited
UNION BANK OF SWITZERLAND (SECURITIES) Limited

September 18, 1984

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Concerned investors flock to the sidelines

U.S. BOND PRICES sank last week in a broad-based retreat which reflected investor concern about the (so-far limited) signs of a pick-up in economic activity and the recent sput in M1, the basic U.S. money supply measure.

Both factors have led to a general market view that the Fed's easing moves may have run their course—at least for the moment. Reflecting this the market's attention is now firmly focused on the next batch of economic and monetary numbers, including the broader M2 and M3 monthly aggregates due out on Thursday, and on the next policy-making Federal Open Market Committee meeting on December 18.

The sea-change in investor sentiment, which has come despite a continuing slight downward drift in short-term money market rates in the aftermath of the discount rate cut, can be traced to the massive $6.4bn increase in M1 reported 10 days ago which was followed up with a $2.2bn increase last week.

The recent jump in M1 has lifted the basic monetary aggregate from the bottom almost to the mid-point of the Fed's target ranges. As Dr Henry Kaufman of Salomon Brother's noted, "The Federal Reserve is now seeing its prodigious efforts to revitalise monetary and economic expansion begin to bear fruit."

U.S. MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	—12-month— High	Low
Fed Funds (weekly average)	8.80	8.86	9.56	11.77	8.80
Three-month Treasury bills (bid)	8.36	8.43	8.64	10.77	8.36
Six-month Treasury bills (bid)	8.61	8.67	8.90	10.83	8.44
Three-month prime CDs	8.95	9.00	9.35	11.90	8.75
30-day Commercial Paper	8.65	8.55	9.10	11.38	8.50
90-day Commercial Paper	8.75	8.60	9.10	11.40	8.60

U.S. BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	103	− ½	11.59	11.50	11.64
20-year Treasury	98½	− 1	11.81	11.68	11.64
30-year Treasury	100½	− 1⅛	11.69	11.55	11.66
New 10-year "A" Financial	N/A	− ¾	12.30	12.35	12.38
New "AA" Long utility	N/A	− 1½	12.75	12.25	12.62
New "AA" Long industrial	N/A	− 1	12.50	12.37	12.37

Source: Salomon Bros (estimates).

Money Supply: In the week ended November 26 M1 rose by $2.2bn to $554.2bn.

Dr Kaufman also said that the Fed's stimulative efforts are evident elsewhere in a number of key statistical indicators. These include the banking figures which reveal a sharp increase in banks' net reserve positions, and in a $6bn increase over the last four weeks in the Fed's outright holdings of U.S. government paper.

This view—which implies less pressure on the Fed to ease further—was also reinforced last week by the economic statisetics and most pointedly by the unexpected decline in the November U.S. civilian unemployment rate to 7.2 per cent from October's 7.4 per cent.

But while investors flocked to the sidelines in the face of such statistics and the somewhat bearish comments of a number of senior Wall Street economists, not everyone agreed that a further Fed easing has been postponed.

Among the disenters Mr Philip Braverman of Briggs Schaedle believes the Fed's recent actions signify a "changing of gear." "The Fed is likely to ease further in the next FOMC meeting. . . . producing a lower funds rate and posibly a lower discount rate either just before Christmas or at the latest prior to chairman Volcker's January testimony (to Congress)," he said.

Mr Braverman argues that "the persistent 'growth recession', despite the November pick-up in employment, requires further Fed stimulus," in particular to offset "the worsening budget deficit, a parallel slowing in the growth of both the industrialised nations and the LDC-saddled financial strains, the increased potential for a steep drop in oil prices and perhaps outright deflation."

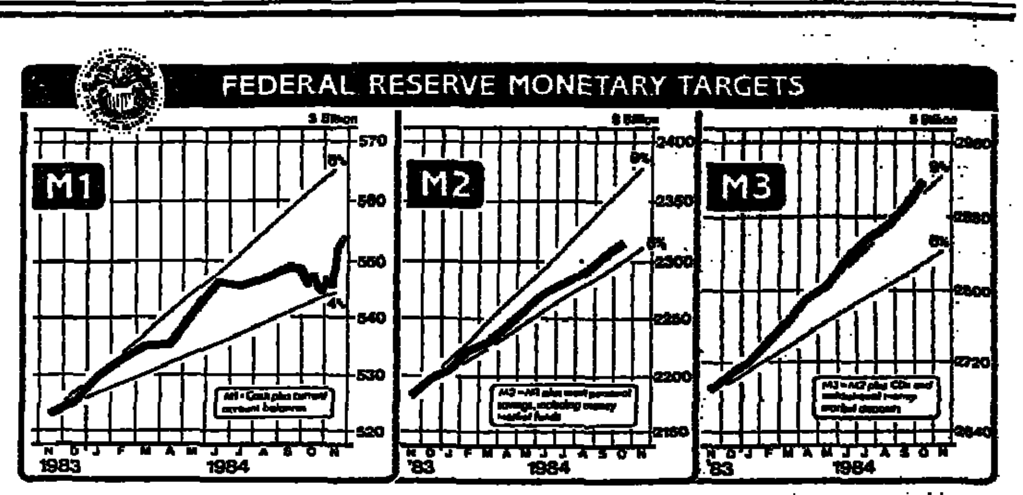
Thus Mr Braverman, and a few others, argue that the recent sharp setback in bond prices could prove temporary. The outcome of the current debate could well rest on the FOMC mebers' interpretation of the latest economic and monetary signals.

In the meantime however the U.S. credit markets have adopted a very firm "waite-and-see" attitude.

Treasury bill rates declined slightly last week while most other short-term rates were unchanged despite a federal funds rate down to a new 12 month low of 8.8 per cent.

In the Government bond market however prices sank following the release of the M1 figure and the unemployment statistics, and the Treasury long bond closed more than a full point down on the week at 100½ to yield 11.69 per cent, up from 11.55 per cent week earlier. For the first time since the start of September the Treasury long bond is now yielding more than it did a month previously.

Corporate bond prices were also lower by between ½ and ⅛ points on the week while most medium-term issue rates were unchanged to 15 basis points higher and long-term rates rose by between 13 and 25 basis points. As Salomon Brothers noted, seasoned long-term yields have also risen relative to medium, causing those spreads to widen in recent weeks.



New corporate issues last week totalled almost $1.35bn according to First Boston figures. Among the new issues Amax sold $150m of ten-year 14½ per cent notes at par, IBM Credit Corporation sold $300m of three-year extendable 10¾ per cent notes at par, and Texaco sold $500m of three-year extendable 10¾ per cent notes at 99.85 to yield 10.79 per cent.

The World Bank also returned to the U.S. capital markets, selling $300m of ten-year 11⅝ per cent notes which yielded 11.65 per cent. Among other interesting issues in the credit markets Penn Mutual Life Insurance Company and Salomon Brothers launched the first-ever issue of collateralised mortgage obligations backed by commercial mortgages. The $204.8m of secrities are backed by 85 commercial mortgages. The issue was placed privately by Salomon.

Paul Taylor

UK GILTS

'Confident torpor' to last the year

BT's LAUNCH may finally be out of the way, but that has done little to stir what one broker described as the state of "confident torpor" in the gilt-edged market.

And if the talk among brokers and fund managers at Christmas parties is any guide, there are few expecting that situation to change significantly ahead of the New Year.

The immediate focus of the market is on Tuesday's provisional money supply figures for November, which are almost universally expected to be bad.

Most of the forecasts for sterling M3 are clustered around a growth of 1½ to 1½ per cent during the month. There is also evidence suggesting that bank lending, which surged by £2.1bn in October, remained high last month, with predictions ranging up to nearly £2bn.

Many believe, however, that the figures would have to be very bad indeed to cause more than a temporary dent in the market's confidence.

Present prices already seem to be discounting a substantial increase in M3, and many in the market are also looking forward to what they expect will be much better figures in the coming months.

There is also a widespread view that strong institutional liquidity and the propensity of fund managers to "window dress" their books at the end of the year may mean that any falls in the market are seen as a buying opportunity.

In the meantime the U.S. is regarded as a more or less neutral influence over the short-term, the miners' strike is being largely ignored, and perhaps the main uncertainty is over oil prices and sterling.

With the immediate influences on the market ambiguous, some economists have been turning their attention to the more fundamental relationship between gilt-edged yields and inflation.

Inflationary expectations have traditionally lagged behind actual changes in the rate and the question therefore is how far the present yield structure now reflects an adjustment to an environment of relatively stable inflation.

Roger Bootle of Capel-Cure Myers believes that the adjustment to five per cent inflation—and to the view of most forecasters that it will stay around that level for the foreseeable future—is still not complete.

The real returns on index-linked stocks at the long end of the market are still implying a break-even inflation rate of 7 per cent.

Even allowing for the risk premiums investors would expect to receive on conventional stocks—perhaps as high as one percentage point — nominal yields of 10 per cent for long-dated issues have still to catch up with the fall in the inflation rate.

It is that adjustment, which Mr Bootle argues can be expected by the end of 1985, which will eventually prove decisive in pushing yields through the pyschological 10 per cent barrier to a level closer to 9 per cent.

This is a view shared by David Smith of Williams de Broe, who is forecasting a decline in the real return on conventional stocks to around 4 per cent at the end of 1985 from the present 5 per cent as people adjust to the reality of lower inflation.

Mr Smith also poses the interesting suggestion that the present price structure of index-linked stocks could be signalling an expected fall in real interest rates.

The anticipated capital gain of such a fall for holders of index-linked issues would partly explain the present disparity in real yields between index-linked and conventional stocks.

Philip Stephens

This announcement appears as a matter of record only.

BEI EIB

European Investment Bank

U.S.$250,000,000

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Bankers Trust Company

November 21, 1984

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Aegon Insur. 11⅞ 91	50	100⅛	+0⅛	11.79
AHFC O/S Fin. 11¾ 94	100	99½	−0½	11.82
All Nippon Air 14 94	100	111⅛	−0⅛	11.96
Amer. Saving 12 89	125	100⅛	−0⅛	11.84
Amer. Saving 12¼ 89	100	101⅛	−0½	11.82
Asian Dev. Bk. 11¾ 93	100	98⅛	−0⅛	12.07
[illegible]				
Texaco 10½ 90	200	96⅛	−0⅛	11.36
Texaco 10½ 93	200	96⅜	+0⅛	11.13
Texaco Capital 13½ 89	200	105½	0⅛	11.84
Texas Instr. 11⅞ 91	150	99⅞	−0⅛	11.87
Tokai Asia 12⅛ 91	100	100⅝	−0⅛	12.08
Tokyo Electric 8½ 89	70	92½	+2	8.65
Tokyo Electric 13⅛ 89	100	107½	−0⅛	11.17
Toronto-Dom. 12⅝ 89	50	101⅞	−0⅛	12.00
[illegible]				
Sweden 12⅝ 89	200	102⅞	−0⅛	11.64
Swedish Export 11½ 89	100	98½	−0⅛	11.95
Taiyo Kobe 12 90	100	99⅞	−0⅛	12.03

YEN STRAIGHTS	Issued	Price	Chg. on week	Yield
Texaco Capital 11⅛ 84	500	100⅛	+0⅛	49.07
Usair Finance 7 98	50	100⅝	+1⅛	−8.24
Yamanouchi 4 90	50	126⅞	+8⅝	−0.98
Asian Dev. Bk. 7⅛ 94	15	100⅝	+0⅛	7.27
IADB 7⅛ 93	15	103⅛	+0⅛	7.34
New Zealand 7⅛ 90	15	101⅛	+0½	6.89
[illegible]				

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
[illegible]				
Soc. Gen. Surv. 4½ 94	51	86⅛	−3⅛	−1.81
Sumitomo Corp. 2⅞ 99	70	85	0	144.98
Texaco Capital 11⅞ 94	1bn	99⅛	+0⅛	−3.47

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex yld
[illegible]				
Thman-Brdt 13⅛ 91	29/8/86	39½	0	5.92
Weyerhaeuser 11 90	15/11/87	14⅛	0	3.45
Xerox 13¼ 87	15/8/86	30	+3⅛	0.90

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.
FLOATING RATE NOTES: U.S. dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: U.S. dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on December 7

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

GEC highlights share repurchase rationale

THE VIEW that companies which buy back their own shares must be in a position of weakness has long been dead in the U.S.—and there are signs that it is now beginning to crumble in the UK.

The rationale behind share buy-backs was highlighted last week when General Electric Company became the first major listed British group to purchase its own equity since the 1981 Companies Act made such transactions practicable.

At least 50 quoted British companies—and almost 1,000 private ones—have taken he power to buy back their stock over the past three years, but only a handful have exercised it. GEC's decision last week to spend £90m on buying back roughly 40m of its shares—nearly 1.5 per cent of the total—is likely to inspire many finance directors to reassess the strategic implications of such a move for their own companies.

This is especially true at a time when the corporate sector's cash surplus is reaching record levels. Stockbrokers Hoare Govett estimate that the top 150 companies' average income gearing (net interest paid as a proportion of pre-interest profits) has almost halved to 8.3 per cent in the last four years.

In GEC's case, the justification for share repurchase is straightforward: to improve the return to investors and hence support the share price. That strategy works best when interest rates are falling, because investors lose the benefit to the company of the interest which would have been earned on the cash used for buying back shares.

In the UK bought-back shares have to be cancelled, so the number of shares among which GEC's earnings are divided will fall, and earnings per share should—all other things being equal—therefore rise. When interest rates are low, the improvement in earnings per share should more than make up for lost interest receipts.

GEC's £1.64bn cash mountain puts it in an ideal position to take in its own equity. The group has permission from its shareholders to purchase up to 250m shares and does not rule out another foray into the market, although such a move seems unlikely in the near future.

A number of small property companies have relied on similar mathematics to use repurchase to improve their net assets per share, the yardstick by which all quoted property groups are valued. hTe most recent is Law Land, which bought in 188,000 of its 43m shares last July at a 20 per cent discount to their asset value. It plans to buy up to 5 per cent of its equity annually—the maximum permitted for buy-backs in the open-market—over the next few years.

Law Land's July transaction was too small to make a significant impact on the discount to assets on which its shares trade. But Mr Derek Lucie-Smith, finance director, explains: "For us, it's a bit like buying property at a 20 per cent discount, and we fel that has to be a good investment."

It may not be tax efficient for all investors to sell their shares back to the company through the market. Under the 1982 Finance Act, market sales are liable to capital gains tax as in a normal transaction, although the company pays Advance Corporation Tax as if it were distributing dividends.

However, it is also possible for investors to sell directly to the company outside the market, in which case they become liable to income-tax on the majority of the proceeds. The latter route is attractive to tax-exempt institutions like pension funds, which can sell direct and reclaim the ACT paid by the company.

Kelsey Industries, a diversified Hemel Hempstead manufacturer, was the first public company to have given investors this choice, which is not, incidentally, available to GEC's shareholders. It offered to buy back 20 per cent of its equity for a maximum of £1.84m through a tender in February last year. Unless a tender offer is used, companies are not allowed to buy back more than 10 per cent of their equity—including off-market purchases—in any one year.

Kelsey's motives were to consolidate the family's majority holding in the company and offer shareholders a chance to sell in what had been a restricted market. In the event, the group bought in its shares below the maximum tender price for a total of £1.67m.

Another share repurchase innovator is Whatman Reeve Angel, a small laboratory supplies group, which bought in just under 2 per cent or its shares last May with the intention of re-issuing them later to executives under a share option scheme.

In this way, it can provide an incentive to key staff in the form of shares without having to issue new equity, thereby avoiding the risk of diluting earnings attributable to public investors.

These are just examples of how smaller companies have dipped their toes into the water. But if interest rates decline further and if the corporate financial surplus continues to grow, it would not be surprising to see one or two larger groups follow the trend set by them and stamped with GEC's considerable approval.

William Dawkins

Equity injection for Salén group

By Kevin Done in Stockholm

SALÉNINVEST, the beleaguered Swedish shipping group that is seeking an urgent financial reconstruction to stave off imminent collapse, said on Friday night that a consortium of Swedish finance companies and merchant banks had agreed to underwrite a SKr 300m ($34m) injection of new equity capital.

The Salén group is Sweden's biggest shipping group and the world's largest operator of refrigerated cargo vessels.

The share issue would be subject to a number of conditions, however, most importantly to agreement from Salén's main creditors, the Swedish state and the banks, to contribute almost SKr 1bn in additional support.

The state has guaranteed around SKr 1.2bn of Salén's SKr 3.4bn of outstanding loan debt.

Negotiations between the state and Saléninvest's leading bank creditors, Skandinaviska Enskilda Banken, PKbanken, Sparbankernas Bank, Svenska Handelsbanken and Bank of America, started at the beginning of November. The two sides have failed so far to reach agreement on the size of the financial sacrifice each is willing to bear.

The Salén group said that the first step in the rescue – provided all parties reached agreement – would be a writedown of the group's existing SKr 150m nominal equity to SKr 30m.

The SKr 300m new equity would be split equally between ordinary shares and preference shares carrying certain special conditions.

It is understood that Salén family interests, which currently hold more than 60 per cent of the Saléninvest stock would contribute 15 to 20 per cent of the new equity.

The issue has been guaranteed by three of the lesser known Swedish merchant banks and finance companies – Gyllenhammar Partners, STC Finans Holding and the Consensus group. The guarantee will only stand until December 21, and several other conditions must also be met, including the renegotiation of certain Saléninvest contracts.

INTERNATIONAL APPOINTMENTS

Top management post at Olympia

BY JOHN DAVIES IN FRANKFURT

Herr Karlernst Kalkbrenner is being brought in to take over the top management job at OLYMPIA, the office equipment concern majority-owned by AEG-Telefunken of West Germany. Faced with intensely competitive markets, Olympia has been struggling in recent years to return to profitability through restructuring measures and tight cost control.

Herr Kalkbrenner will move in initially as deputy chief executive next month and take over the top position in June. He was a member of the management board of Porsche, the car maker, for many years before joining the board of Rosenthal Technik, the technical ceramics company, in April, 1981.

He is taking over from **Dr Gerhard Lofink**, who has held the top job at Olympia only since the beginning of this year. Dr Lofink is joining the management board of another company in the AEG-Telefunken group, although details have not yet been disclosed.

Herr Uwe Stohwasser, a divisional head at AEG-Telefunken, will also join the Olympia board next month, with responsibility for sales.

The Olympia parent company reduced its loss to DM 34.7m last year from DM 216m, but Olympia and AEG have declined to indicate the likely result this year. Its main domestic competitor, Triumph-Adler, has also been trying to reduce its losses and recently brought in Herr Wolfram Nadebusch as its new chief executive.

Meanwhile, the AEG-TELEFUNKEN supervisory board—the body which under West German corporate law supervises the management board—has named **Dr Klaus Kuhn** as its new chairman. He succeeds **Dr Hans Friderichs**, who remains a supervisory board member. Dr Kuhn, a financial expert, has been one of the key figures guiding the recovery of AEG-Telefunken, which recently fulfilled the terms of its court-supervised debt settlement.

West German flotations heavily oversubscribed

BY OUR FRANKFURT CORRESPONDENT

SHARE ISSUES by ADV/Orga, the computer software house, and Moto Meter, the motor vehicle instruments maker—the latest companies to go public in West Germany have been heavily oversubscribed.

ADV/Orga, one of West Germany's largest software houses, offered 44,000 non-voting preference shares, with a nominal value of DM 50 each, at a price of DM 250 ($81) per share.

At the same time ,Standard Elektrik Lorenz, the West German telecommunications subsidiary of ITT of the U.S., has taken a 7.5 per cent stake in the company for an undisclosed price.

The majority of the ordinary shares are held by Herr Friedrich Meyer, who has built up the concern. With about 400 employees, ADV/Orega increased its sales revenue by 28 per cent to DM 55.3m in the year to June 30.

Moto Meter, the country's second largest maker of vehicle instruments, has raised DM 4.6m through an offer of one-fifth of its ordinary share capital at a price of DM 115 per share (with a nominal value of DM 50).

The company, which has 1,000 employees, expects sales revenue of DM 120m this year. Large minority stakes are held by financial investment groups in Switzerland and West Germany.

Trading in shares in ADV/Orga and Moto Meter is due to begin later this month in the second-tier market or so-called "geregelte Freiverkehr." ADV/Orga is to be traded on stock exchanges in Frankfurt, Hanover and Bremen, while Moto Meter will be traded in Frankfurt and Stuttgart.

Committee clears UT chairman

By Terry Dodsworth in New York

THE INDEPENDENT directors on the board of United Technologies, the U.S. conglomerate, yesterday rejected claims that the management of the group had 'engaged in illegal or improper practices."

The statement follows a turbulent period for the group's top management, in which Mr Harry Gray, the chairman, was accused of electronically bugging fellow executives and other "improper" conduct.

An investigation committee of the board was created to look into the complaints, which arose following the surprise resignation of Mr Robert Carlson from the presidency of the company. According to the committee, none of the allegations could be substantiated

Support from the outside directors would appear to strengthen the position of Mr Gray, who is at retirement age and has attracted some criticism for not doing more to choose a successor.

Elders stake boosts net earnings at Goodman

BY DAI HAYWARD IN WELLINGTON

RETURNS from its 14 per cent investment in Australia's Elders IXL have helped Goodman Industries, the New Zealand banking, food and investment group, to boost net profit by 155 per cent for the six months ended September to NZ$22.8m (US$11.1m) and the company expects to make a profit of around NZ$45m for the full year.

Goodman spent more than NZ$200m in 1983 buying into Elders IXL and leading New Zealand companies including NZ Forest Products, and Newmans, the transport and travel group.

Earnings from Elders, which are included for the first time were a major factor in the big profit jump. Another benefit from Goodman's Australian investments and operations was a tax credit of NZ$2.6m on written-off development costs and export incentives. Last year the company had a tax bill of NZ$1.3m.

Last June Goodman took over the management of Provincial Traders Foods Proprietary, the Australian jam and margarine producer.

Goodman is also a joint owner, with Wattie Industries, of Dominion Industries which in turn holds 24 per cent of NZ Forest Products. Goodman is selling its stake in Dominion to Wattie but will still benefit from good Forest Products results through its shareholding in Wattie.

Sales by Goodman for the six months period increased from NZ$88.8m to NZ$162m while operating earnings advanced from NZ$9.1m to NZ$17m.

The company has declared a second interim tax-free dividend of 2 cents a share bringing interim dividends to 6.5 cents a share.

Handelsbanken dismantles two-president structure

BY OUR STOCKHOLM STAFF

MR JAN EKMAN is to change his role at Handelsbanken, the Swedish commercial bank, after seven years as one of two joint presidents of the bank.

Mr Ekman who is responsible for the bank's international operations, will be come deputy chairman of the board and chairman of a newly formed international committee where "he will do much the same thing in practice, but with a more strategic focus," the bank says.

"When he took the job in 1978, Mr Ekman agreed with the board that he would have an option to leave at 55." The change in roles takes effect in March.

With the move, the Handelsbanken two-president structure will be dismantled, leaving **Mr Tom Hadelius**, 45, as the single managing director.

International operations will be taken over by vice president, Mr Liungh, who is known for his work as a personal assistant to Mr Robert McNamara, former President of the World Bank.

Chairman for Renault truck unit

BY PAUL BETTS IN PARIS

M Philippe Gras has been appointed chairman of RENAULT VEHICULES INDUSTRIELS (RVI), the large-truck member of the French state-owned Renault group. This follows the appointment of **M Pierre Semerena**, the former RVI chief executive, to head Renault's car division.

The appointments are part of a major management reshuffle by the financially troubled French car group.

M Gras has been up to now the marketing and commercial director of RVI. This function will now be taken over by **M Herve Guillaune**, RVI's financial director. **M Raoul Chabot** has been appointed RVI's new financial director.

This announcement appears as a matter of record only.

New Issue

Canadian $30,000,000

The Regional Municipality of Ottawa-Carleton
(CANADA)

12½% Debentures due December 4, 1994

Issue Price 100%

Wood Gundy Inc.

Credit Suisse First Boston Limited **Deutsche Bank Aktiengesellschaft**
Kredietbank International Group **Lévesque, Beaubien Inc.**
Merrill Lynch Capital Markets **Morgan Guaranty Ltd**
Société Générale **Union Bank of Switzerland (Securities) Limited**
S. G. Warburg & Co. Ltd.

Algemene Bank Nederland N.V. · Amro International Limited · BankAmerica Capital Markets Group · The Bank of Bermuda, Ltd.
Bank Gutzwiller, Kurz, Bungener (Overseas) Limited · Bankhaus Hermann Lampe Kommanditgesellschaft · Bank Leu International Ltd.
The Bank of Nova Scotia · Banque Bruxelles Lambert S.A. · Banque Générale du Luxembourg S.A. · Banque Nationale de Paris
Banque Paribas · H. Albert de Bary & Co. N.V. · Bayerische Landesbank Girozentrale · Chase Manhattan Capital Markets Group Chase Manhattan Limited
Chemical Bank International Group · CIBC Limited · Citicorp Capital Markets Group · Commerzbank Aktiengesellschaft · County Bank Limited
Crédit Commercial de France · Crédit Lyonnais · Crédit du Nord · Creditanstalt-Bankverein · Dai-Ichi Kangyo International Limited
Daiwa Europe Limited · DG Bank Deutsche Genossenschaftsbank · Dominion Securities Pitfield Limited · Dresdner Bank Aktiengesellschaft
Effectenbank-Warburg Aktiengesellschaft · Enskilda Securities Skandinaviska Enskilda Limited · First Chicago Limited · Fuji International Finance Limited
Genossenschaftliche Zentralbank AG Vienna · Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft · Goldman Sachs International Corp.
Great Pacific Capital S.A. · Hambros Bank Limited · Hessische Landesbank - Girozentrale - · Hill Samuel & Co. Limited
IBJ International Limited · Kidder, Peabody International Limited · Kleinwort, Benson Limited · Lloyds Bank International Limited
LTCB International Limited · McLeod Young Weir International Limited · Midland Doherty Limited · Mitsubishi Finance International Limited
Samuel Montagu & Co. Limited · Morgan Grenfell & Co. Limited · Morgan Stanley International · Nesbitt, Thomson Limited
The Nikko Securities Co., (Europe) Ltd. · Nomura International Limited · Norddeutsche Landesbank Girozentrale · Sal. Oppenheim jr. & Cie.
Orion Royal Bank Limited · Pierson, Heldring & Pierson N.V. · PK Christiania Bank (UK) Limited · Prudential-Bache Securities
Rabobank Nederland · Richardson Greenshields of Canada (U.K.) Limited · Salomon Brothers International Limited · Sanwa International Limited
Schoeller & Co. Bankaktiengesellschaft · J. Henry Schroder Wagg & Co. Limited · Société Générale de Banque S.A.
Standard Chartered Merchant Bank · Sumitomo Trust International Limited · Swiss Bank Corporation International Limited
Toronto Dominion International Limited · Vereins- und Westbank Aktiengesellschaft · Westdeutsche Genossenschafts-Zentralbank e.G.
Westdeutsche Landesbank Girozentrale · Westfalenbank Aktiengesellschaft · Yamaichi International (Europe) Limited · Yasuda Trust Europe Limited

December 1984

This announcement appears as a matter of record only.

New Issue

Canadian $75,000,000

TCPL Resources Ltd.

12⅝% Notes Due 1989
and 75,000 Warrants to purchase
Canadian $75,000,000 12⅝% Notes Due 1994

Payment of principal and interest unconditionally and irrevocably guaranteed by

TransCanada PipeLines Limited

Issue Price of the 12⅝% Notes Due 1989: 100%
Issue Price of the Warrants: Canadian $38

Wood Gundy Inc.

Hambros Bank Limited **Union Bank of Switzerland (Securities) Limited**

Algemene Bank Nederland N.V. **Banque Bruxelles Lambert S.A.** **Banque Paribas**
CIBC Limited **Citicorp Capital Markets Group** **Commerzbank Aktiengesellschaft**
Merrill Lynch Capital Markets **Mitsubishi Finance International Limited** **Nesbitt, Thomson Limited**
Nomura International Limited **Orion Royal Bank Limited** **Salomon Brothers International Limited**
Société Générale de Banque S.A. **Swiss Bank Corporation International Limited** **S. G. Warburg & Co. Ltd.**

Amro International Limited · BankAmerica Capital Markets Group · Bank Gutzwiller, Kurz, Bungener (Overseas) Limited
Bankhaus Hermann Lampe Kommanditgesellschaft · Bank Leu International Ltd. · Banque Générale du Luxembourg S.A.
Banque Internationale à Luxembourg Société Anonyme · Banque Nationale de Paris · Banque Populaire Suisse S.A. Luxembourg · Banque Worms
H. Albert de Bary & Co. N.V. · Berliner Bank Aktiengesellschaft · Berliner Handels- und Frankfurter Bank · Burns Fry Limited
Chase Manhattan Capital Markets Group Chase Manhattan Limited · Chemical Bank International Group · County Bank Limited · Crédit Commercial de France
Crédit Lyonnais · Crédit du Nord · Dai-Ichi Kangyo International Limited · Daiwa Europe Limited · Dominion Securities Pitfield Limited
Dresdner Bank Aktiengesellschaft · Drexel Burnham Lambert Incorporated · Effectenbank-Warburg Aktiengesellschaft · Enskilda Securities Skandinaviska Enskilda Limited
Fuji International Finance Limited · F. van Lanschot Bankiers N.V. · Genossenschaftliche Zentralbank AG Vienna
Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft · Goldman Sachs International Corp. · Great Pacific Capital S.A.
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Kidder, Peabody International Limited · Kleinwort, Benson Limited · Kredietbank International Group · Lévesque, Beaubien Inc
Lloyds Bank International Limited · LTCB International Limited · McLeod Young Weir International Limited · Midland Doherty Limited
Morgan Grenfell & Co. Limited · Morgan Guaranty Ltd · Morgan Stanley International · Nederlandse Credietbank NV
The Nikko Securities Co., (Europe) Ltd. · Sal. Oppenheim jr. & Cie. · Pierson, Heldring & Pierson N.V. · PK Christiania Bank (UK) Ltd.
Prudential-Bache Securities · Schoeller & Co. Bankaktiengesellschaft · Société Générale · Standard Chartered Merchant Bank
Sumitomo Trust International Limited · Toronto Dominion International Limited · Vereins- und Westbank Aktiengesellschaft
Westdeutsche Genossenschafts-Zentralbank e.G. · Westfalenbank Aktiengesellschaft · Yamaichi International (Europe) Limited · Yasuda Trust Europe Limited

December 1984

Copies of this document having attached thereto the documents specified herein, have been delivered to the Registrar of Companies for registration.

Application has been made to the Council of The Stock Exchange for all the shares of common stock of Process Systems, Inc., issued and to be issued, to be admitted to the Official List.

This document includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to Process Systems, Inc. The Directors of Process Systems, Inc., have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or opinion. All the Directors of Process Systems, Inc. accept responsibility accordingly.

Process Systems, Inc.

(Incorporated with limited liability under the laws of the State of Georgia, United States of America)

OFFER FOR SALE
by
J. HENRY SCHRODER WAGG & CO. LIMITED
of

16,000,000 shares of common stock of par value US$0.025 each at 92p per share payable in full on application

The Application Lists for the shares now being offered for sale will open at 10 a.m. on Thursday, 13th December, 1984 and may be closed at any time thereafter.
The procedure for application and the Application Form are set out at the end of this document.
It is expected that dealings in the whole of the issued share capital of the Company will commence on 20th December, 1984.

SUMMARY

The information below should be read in conjunction with the full text of this document, from which it is derived.

BUSINESS·

The Company, a high technology company, based in Charlotte, North Carolina, US, designs software for microelectronic control and recording equipment, which it assembles and distributes to the US electricity supply industry.

For its major product, the solid state recorder, the Company has established itself as the market leader, accounting for an estimated 60 per cent. of units sold to US electrical utilities in the year to 30th June, 1984. *In that year, the Company's second largest contributor* to sales was its electronic totaliser; it had an estimated 90 per cent. share of this market. The Directors estimate that only some 8 per cent. of the potential market for solid state recorders has been satisfied to date. The Company is now poised to benefit significantly from a lengthy period of evaluation of its solid state recorders by a number of major US electrical utilities.

The Company has a substantial commitment to research and development, amounting to 11 per cent. of sales in the year to 30th June, 1984, to enhance existing products and to provide new products for the future. One such product, the ProData *system, is expected to become the second largest contributor to sales in the current year.* A time of use meter and a load management system are at advanced stages of development, with material sales of the time of use meter expected in the year to 30th June, 1986.

As shown below, the Company's sales have grown rapidly in the five years to 30th June, 1984. The Company has expanded to meet this demand and the number of employees now totals 89, as compared with 66 at 30th June, 1984 and 39 a year earlier. Furthermore, sales per employee increased from $105,000 in the year to 30th June, 1983 to $159,000 in the year to 30th June, 1984.

TRADING RECORD AND FORECAST

Net sales, net income after taxes and earnings per share of the Company for the five years ended 30th June, 1984 were as follows:—

	Year ended 30th June.				
	1980	1981	1982	1983	1984
	$'000	$'000	$'000	$'000	$'000
Net sales	819	1,577	2,362	3,718	8,349
Net income after taxes	5	152	379	602	1,503
Earnings per share (cents)	0.03	0.57	1.27	1.95	3.81

The Directors forecast that net income after taxes for the year ending 30th June, 1985 will be not less than $2.9 million, equivalent to 5.6 cents per share, on the basis of which they intend to pay a dividend of 0.25 cents per share.

OFFER FOR SALE STATISTICS

Offer for Sale price per share	92 pence
Market capitalisation at Offer for Sale price	£49.4 million
Price-earnings ratio on forecast earnings per share (Note)	19.8 times
Gross dividend yield based on forecast dividend per share (Note)	0.2 per cent.

Note: an exchange rate of $1.2075: £1 has been used, being the rate ruling at the close of business on 5th December, 1984.

GLOSSARY

Meter	Device to measure consumption of electricity.
Isolation relay	Device linked to a meter which allows multiple attachments of monitoring equipment.
Totaliser	Device for combining the information from a number of separate meters.
Recorder	Device which records the information from a meter or a totaliser.
Load management	A means by which the consumption of electricity can be controlled.
Microprocessor	Silicon-based component capable of performing complex electronic functions.
Solid state	Incorporating miniaturised electronic components.
Microelectronics	Electronics incorporating microprocessors.

DIRECTORS, ADVISERS AND BANKERS

DIRECTORS

Lawson Early Hamilton, III
Chairman, President and Chief Executive Officer

Frank Hiram Hoff
Vice President — Sales

William Michael Turner
Vice President — Finance and Operations and Treasurer

Michael David Alembik

Ernest Reed Gaskin

Luther Hartwell Hodges, Jr.

Walter Olin Nisbet, III

Earl Norfleet Phillips, Jr.

all of 8334 Arrowridge Boulevard, Charlotte, North Carolina, 28210, *and all being citizens of the US.*

Company Secretary and Principal Office
William Michael Turner,
8334 Arrowridge Boulevard, Charlotte,
North Carolina, 28210.

Issuing House
J. Henry Schroder Wagg & Co. Limited,
120 Cheapside,
London EC2V 6DS.

Auditors and Joint Reporting Accountants
Price Waterhouse,
Certified Public Accountants,
One NCNB Plaza, Suite 3200,
Charlotte, North Carolina, 28280.

Joint Reporting Accountants
Price Waterhouse,
Chartered Accountants,
Southwark Towers, 32 London Bridge Street,
London SE1 9SY.

Solicitors to the Company
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Saddlers' Hall, Gutter Lane, Cheapside,
London EC2V 6BS.

United States Counsel to the Company
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300 Peachtree Centre, South Tower,
225 Peachtree Street, N.E.,
Atlanta, Georgia, 30303.

Solicitors to the Offer for Sale
Linklaters & Paines,
Barrington House, 59-67 Gresham Street,
London EC2V 7JA.

United States Counsel to the Offer for Sale
Shearman & Sterling,
St. Helen's, 1 Undershaft,
London EC3A 8HX.

Stockbrokers
de Zoete & Bevan,
25 Finsbury Circus,
London EC2M 7EE.

Bankers
First Union National Bank,
First Union Plaza,
Charlotte, North Carolina, 28288.

Williams & Glyn's Bank plc,
5-10 Great Tower Street,
London EC3R 5DH.

UK Registrar
National Westminster Bank PLC,
Registrar's Department, P.O. Box 82,
37 Broad Street,
Bristol BS99 7NH.

Receiving Bankers
National Westminster Bank PLC,
New Issues Department,
P.O. Box 79, 2 Princes Street,
London EC2P 2BD.

SHARE CAPITAL

Authorised		Issued and outstanding and to be issued fully paid
100,000,000	Shares of common stock of par value US$0.025 each	53,734,000

In addition, the Company has outstanding Stock Options which, if exercised in full, would require the issue of a further 4,400,000 shares.

The shares which are now being offered for sale will rank in full for all dividends and other distributions hereafter declared, made or paid on the issued shares.

INDEBTEDNESS

At the close of business on 23rd November, 1984 the Company had outstanding secured indebtedness in the amount of $5 million and a guarantee in connection therewith in respect of an Industrial Revenue Bond issued in connection with the purchase and development of new premises at Charlotte, North Carolina.

Save as aforesaid, the Company did not have any loan capital (including term loans) outstanding, or created but unissued, or any other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:—

"the Company"
Process Systems, Inc.

"shares"
The shares of common stock of par value US$0.025 of the Company whether issued and outstanding, in treasury or authorised but unissued.

"the Offer for Sale"
The offer for sale by J. Henry Schroder Wagg & Co. Limited of 16,000,000 shares described in this document.

"new shares"
The 5,560,000 shares being issued by the Company and the 840,000 shares being sold by the Company from treasury which, in each case, are included in those now being offered for sale.

"vendors"
Existing shareholders (other than the Company) who are selling shares which are included in those now being offered for sale.

"vendor shares"
The 9,600,000 shares now being sold by the vendors and which are included in those now being offered for sale.

"Stock Options"
Options to subscribe for shares.

"UK" and "US"
United Kingdom of Great Britain and Northern Ireland and United States of America, respectively.

"$", "US$", "dollars" and "cents"
US dollars and cents.

This document does not constitute an offer or solicitation to anyone in any jurisdiction outside the UK in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The shares now being offered for sale have not been registered under the Securities Act of 1933, as amended, of the US. Accordingly, such shares may not be offered, sold, renounced or transferred directly or indirectly in the US, its territories and possessions, or Canada (collectively "North America") or to or for the benefit of any person who is a national or resident thereof, the estate of any such person, or any corporation or other entity created or organised in or under the laws of the US, its territories and possessions, or Canada or any political subdivision thereof (collectively "North American Persons") or to any person purchasing such shares for reoffer, resale, renunciation or transfer in North America or to or for the benefit of any North American Person as part of the distribution of such shares. No holder of such shares may, under any circumstances, as principal or agent, offer, sell, renounce or transfer such shares in North America or to or for the benefit of any North American Person at any time on or before 30th June, 1985. In order to give effect to these restrictions, every applicant for such shares and every other person applying for registration in respect of such shares on or before 30th June, 1985 will be required to make a declaration in the form referred to in paragraph 9 of Appendix III, and the certificates representing such shares will bear a legend referring to such restrictions.

Existing UK shareholders of the Company are being offered preferential application rights under the Offer for Sale for up to 1,600,000 shares. Details of these rights are set out in Procedure for application.

HISTORY AND DEVELOPMENT OF THE BUSINESS

The Company was incorporated on 1st July, 1969 by Lawson Hamilton and, from its inception, concentrated on the practical application of solid state electronic technology to process control and monitoring in basic industries. The early products were computer-controlled colour matching systems for the textile industry and process control equipment for the chemical industry. These products were technically successful but their servicing requirements proved onerous and the business was not profitable. *Consequently*, the Company sold that business to Reliance Electric Company (now a division of Exxon Corporation) in 1975.

The Company then introduced a line of electrical monitoring and energy management equipment using microelectronic technology. These products were marketed on a nation-wide basis to commerce and industry. The resulting business contacts with US electrical utilities identified a specific market for which the Company was to develop its current systems and products.

In 1978, the Company first introduced microelectronic products designed for direct application to the US electricity supply industry, from which it currently derives almost all its sales revenues. After initially producing a time of day demand indicator, the Company developed a range of electronic devices comprising isolation relays, totalisers, solid state recorders and related products, which are marketed under the Sentry brand name. The success of these products is reflected in the Company's rate of growth over the last five years and has enabled it to consolidate its marketing and service base with the US electricity supply industry.

In June, 1984, 5.25 million shares were placed with selected UK institutions, raising $3.6 *million net of expenses for the Company. At that time the Directors stated their* intention to seek a public market for the Company's shares. The decision to list the shares of the Company in London rather than in the US reflects the Directors' preference to avoid the significant time and expense associated with being a listed company in the US at this stage in the Company's development.

Of the 16 million shares now being offered for sale, 9.6 million are being sold by existing US shareholders. None of the UK institutional shareholders is selling shares in the Offer for Sale. The Directors and the other vendors have stated that it is not their intention to sell any further shares for a period of 12 months.

INDUSTRY BACKGROUND

The US electricity supply industry comprises over 200 listed utility companies, 100 federal government-owned projects, 1,700 municipal systems and 900 rural co-operatives. The 150 major listed utility companies account for some 85 per cent. of the electricity sold in the US, and the Company has sold its products to the majority of them.

Under the Public Utility Regulatory Policies Act of 1978 of the US, State Public Service Commissions, which are *established to regulate rates in the electricity supply* industry, are required to consider and adopt, if appropriate, time of use rates (requiring appropriate metering equipment), seasonal rates and load management techniques for utilities under their respective jurisdictions. Applications from utilities to increase their charges must be supported by survey data covering the consumption pattern of electricity by samples of users. In recent years survey requirements have become significantly more detailed and there has been a demand for more reliable information. Similarly, with the increasing cost of electricity, industrial customers, who generally account for a major proportion of utilities' sales, have also sought more accurate data on consumption, partly *to verify billing and partly to monitor their use of electricity.*

Process Systems, Inc.
continued

In the past, utilities have used magnetic tape recorders to provide data both for survey purposes and for billing. This medium for recording data has, however, proved cumbersome and in many cases unreliable. Malfunctions in magnetic tape recorders have proved to be relatively frequent and it is often the case that up to 30 days' data may be lost, causing serious gaps in surveys and possible loss of income. Accordingly, utilities have begun to purchase solid state devices, such as those produced by the Company, to replace magnetic tape recorders. These products are more reliable, enable the collection of more detailed data and offer the ability to recover the data remotely via the telephone line.

Utilities avoid, wherever possible, building new generating capacity, due in part to the cost being a substantial multiple of that of existing plant and due also to the strength of the US environmental lobby. Consumption of electricity is subject to peaks and troughs throughout the day and utilities, therefore, take measures to reduce electricity consumption in periods of peak demand, particularly where this is close to maximum capacity. This *can be done in two ways:—*

(i) time of use pricing, which relates the cost of electricity to the time of day at which it is used; and

(ii) load management programmes, whereby the customer permits the utility, for a lower basic price of electricity, to turn off the supply to some appliances. In residential applications this would be restricted to identified, non-essential, appliances.

The Company's research and development programme is primarily directed towards new products designed to provide the means for limiting electricity consumption at times of peak demand, using each of these two methods.

The US electricity supply industry is a cautious one, in which malfunctions have serious public consequences. *Utilities'* purchasing strategy is therefore strongly averse to risk-taking. Initially, utilities purchase relatively small numbers of units of a new product for evaluation. After satisfactory testing of these evaluation quantities, utilities accept the product and generally place orders for significantly larger quantities. This process of evaluation and acceptance of new products, even from established suppliers of other accepted products, can, depending on the product, take up to two years. Once a supplier, such as the Company, has had its products accepted, it stands at a significant competitive advantage to other potential suppliers.

BUSINESS OF THE COMPANY

PRODUCTS

The contributions of the three existing product ranges to the net sales of the Company for the five years ended 30th June, 1984 were as follows:—

	Year ended 30th June, 1980 $'000	1981 $'000	1982 $'000	1983 $'000	1984 $'000
Solid state recorder systems	—	188	188	1,778	5,844
Electronic totalisers	288	984	1,762	1,666	2,078
Isolation relays	46	107	184	180	267
Other income (Note)	485	298	228	94	160
	819	1,577	2,362	3,718	8,349

Note: Other income includes interest income, lease revenues on equipment owned by the Company, service revenues and spare parts for the previous generation of products.

Sales of solid state recorder systems have grown from $0.2 million to $5.8 million over the three years to 30th June, 1984, and are expected to continue to grow substantially during the current year. The market for totalisers and isolation relays is regarded as mature and sales are expected to remain at similar levels to those of the past three years. A new product, the ProData system, is currently being introduced and evaluation quantities of this system have been sold. The evaluation period for this product is only some 2–4 months and it is expected that it will be the second largest contributor to sales in the year to 30th June, 1985.

Solid state recorder system

The solid state recorder system enables utilities to collect and store data relating to quantity and time of use of electricity consumption by individual customer, which can then be used for both survey information and billing. The system comprises a central station located at the utility which is linked to recorders at selected customers' premises. The recorders are sophisticated electronic data-collection units which contain software and circuitry enabling them to store the information generated by conventional electro-mechanical meters. Data can be retrieved from the recorder either by calling it up remotely via the telephone line from the central station, or by direct access with a hand-held reader. There are three recorders in the product range, incorporating variations of memory size and physical configuration. The sales prices of solid state recorders range from approximately $700 to $2,200 each.

Hand-held readers are sophisticated microcomputers which are used to collect the data stored in recorders that are not directly linked by telephone to the central station. They can store data from a number of different recorders and can, in addition, be used to make changes to the programming of the recorders *in situ*. Data collected in this way can subsequently be transferred to the central station either directly or by telephone. The sales prices of the hand-held readers range from approximately $5,400 to $6,400 each.

The Company develops the software and manufactures the hardware for the recorders but purchases the other hardware components of the system, into which it loads its own software. The Company believes that its policy of designing the software for, and assembling, the whole system enables it to exercise extensive control over product quality and performance. This quality control is critical to its success.

Electronic totalisers

Totalisers combine data from a number of meters. The data can then either be read directly from the totaliser or be transferred to recording equipment. Typically, a totaliser is used where there is a number of meters and summary information for billing is required.

As replacements for electro-mechanical totalisers, the Company's electronic totalisers are both more reliable and more sophisticated. The Company's basic electronic totalisers are priced at between $390 and $500, contain no software and can only transfer data to recorders. The advanced models are priced at between $1,550 and $4,500, incorporate software which can identify demand peaks and the times when they occur and can calculate certain components of power supplied to industrial customers. There is a range of five advanced totalisers with varying levels of capacity and of on-site data display.

Isolation relays

Isolation relays allow the attachment of additional survey equipment to a meter, to enable duplicate readings to be taken by the customer, without disturbing the integrity of the data transmitted from the meter to the utility. Isolation relays are priced at between $90 and $170 each.

ProData system

In addition to the products described above, the Company has recently introduced the ProData system. This has been designed to enable utilities to undertake surveys of the amount of energy consumed by certain individual domestic appliances such as water heaters, swimming pool pumps and air-conditioning units. Rate schedules can then be developed to discourage the use of such appliances at times of peak demand.

The system is comprised of transponders, which are inserted between the plug of the appliance and the wall-socket, and a receiver, usually located within a solid state (or magnetic tape) recorder. The transponder transmits, through the internal electrical wiring, a signal indicating consumption by that appliance. Each receiver can monitor signals transmitted by three separate transponders. The ProData system will provide utilities with more detailed information than has previously been available. It is economical to install and represents a significant technical advance by the Company. Each ProData system, consisting of three transponders and one receiver, is priced at approximately $2,400.

MARKETING AND CUSTOMERS

The Directors estimate that only some 8 per cent. of the potential market for solid state recorders in the US has been satisfied to date. The Company has established itself as a market leader, accounting for an estimated 60 per cent. of the solid state recorders and an estimated *90 per cent. of the electronic totalisers sold to US electrical utilities in* the year ended 30th June, 1984.

The Company employs 8 sales staff in Charlotte, reporting to the Vice President-Sales, co-ordinating with 23 independent sales agencies throughout the US which, between them, employ over 100 sales representatives acting for the Company. The agencies normally represent a number of suppliers of equipment to utilities and are chosen, often in consultation with local utilities, for their expertise and knowledge of the utilities' requirements. Sales representatives are responsible for maintaining close relationships with utilities and for developing product specifications and providing local after-sales support and training.

The Company has sold its products to the majority of the listed US electrical utilities. There is also a market for the Company's current products among the federal government-owned projects and the municipal utilities. Bonneville Power Administration is already a major customer of the Company and the Company's solid state recorder system has been approved by a number of municipal utilities. The principal customers of the Company by sales during the past three financial years are shown in the following table:—

	Year ended 30th June, 1982 $'000	1982 %	1983 $'000	1983 %	1984 $'000	1984 %
Consolidated Edison Company of New York, Inc.	1,266	53.6	1,226	33.0	2,141	25.6
Southern California Edison Company	—	—	105	2.8	1,294	15.5
Bonneville Power Administration	—	—	272	7.3	881	10.6
Duke Power Company	111	4.7	382	10.3	743	8.9
Florida Power and Light Company	—	—	294	7.9	601	7.2
Alabama Power Company	36	1.5	218	5.9	395	4.7
Sierra Pacific Power Company	—	—	—	—	317	3.8
Pacific Gas & Electric Company	—	—	—	—	195	2.3
Georgia Power Company	—	—	55	1.4	191	2.3
Florida Power Corporation	—	—	—	—	182	2.2
South Carolina Electric and Gas Company	—	—	29	0.8	147	1.8
Niagara Mohawk Power Corporation	158	6.7	151	4.1	96	1.1
Others (Note)	616	26.1	892	24.0	1,006	12.1
Other income	175	7.4	94	2.5	160	1.9
	2,362	100.0	3,718	100.0	8,349	100.0

Note: Other customers in the year to 30th June, 1984 totalled 187, none of which accounted individually for sales of more than $100,000.

The Company has received certification for its solid state recorder system from the Consumer and Corporate Affairs commission in Canada and has applied for approval from the Canadian Department of Communications and from the Canadian Standards Association. These are necessary prerequisites for any significant distribution of solid state recorders within Canada. In expectation of final approvals, the Company is making efforts to market the solid state recorder system in Canada. It has already received an order from British Columbia Hydro and Power Authority and is also in discussion with other Canadian utilities. The Company is further seeking the necessary approvals to permit sales of totalisers and isolation relays in Canada.

COMPETITION

The Company's principal competitors in the solid state recorder market are Robinton Corporation, E.I.L. Instruments, Inc. and, to a lesser extent, General Electric Company, Westinghouse Electric Corporation and Sangamo Weston, Inc. The Company has achieved a dominant market position because of the technical superiority of its products, its competitive pricing and its commitment to after-sales support. Utilities, however, prefer dual sourcing for their supplies and, on occasion, have requested other suppliers to produce a competing product. In most cases these have not reached the standards and specifications laid down by the utilities and the Company has, therefore, consolidated its position as market leader. In addition, the lengthy procedure for acceptance of new products represents a barrier to entry of the market by manufacturers of new products and provides manufacturers of accepted products with a significant advantage in securing further orders.

The Company has built up a reputation for service and after-sales support which it believes to be unrivalled in its sector of the US electricity supply industry and to be a key element in the utilities' choice of supplier. The Company's sales staff and representatives regularly visit major customers to ensure that products already sold are performing satisfactorily and to discuss further requirements.

The Directors consider that the Company's position is best safeguarded through the superior performance and reliability of its products, rather than by patents which tend, in the electronics industry, to be easily circumvented. The Company, therefore, does not rely on patents to any significant extent.

The Company *recognises that, while its existing products have each captured a* substantial market share, they have not to date attracted significant competition from the major corporations supplying the US electricity supply industry. However, the Company's new products are likely to compete with products of larger companies such as General Electric Company and Westinghouse Electric Corporation. Nevertheless, the Directors believe that the Company has proved its capability to be innovative, technically sound and, as a smaller company, to respond quickly to the demands of the market.

MANUFACTURING AND SUPPLIERS

The majority of the Company's sales are of its own manufactured products. The manufacturing process involves the assembly of printed circuits from purchased components and the construction of the finished product from the completed circuits. The Company has 36 employees directly involved in this process.

The engineering department has designed the software for all the Company's existing products and the electronic circuitry for its principal products. The Company designs and prepares detailed drawings and instructions for the assembly of certain solid state components, printed circuit boards and metal fabrications by outside contractors. In most cases, the materials for the Company's products are available from several sources.

The Company ensures that production is coordinated with the receipt of orders. As an order is processed through a utility for final approval, a programme for meeting that order is agreed between the purchasing department, the manufacturing supervisors and the sales staff. During manufacture, products are subjected to regular quality control inspections and tests. Once assembled, finished goods are checked in an environmental *chamber, where they are tested for resistance to the extremes of temperature between* which they may be expected to operate. The Company has ordered, for installation later this month, additional equipment for this chamber, in order to handle increased volume.

RESEARCH AND DEVELOPMENT

The Directors consider that substantial expenditure on research and development is essential for the Company to maintain a strong competitive position and to continue its growth. Expenditure on research and development amounted to $0.92 million in the year ended 30th June, 1984, representing 11 per cent. of sales. In the current year, such expenditure is budgeted to be $1.19 million, an increase of 29 per cent. As compared with the previous year, this will represent a smaller percentage of sales, although it is expected to grow to around the percentage attained in prior years once the new facility at Charlotte referred to below has been brought into use. All expenditure on research and development is written off in the year in which it is incurred.

The engineering department comprises 32 employees who are responsible for research and development of both existing and new products, including the time of use meter and load management system described further below. The Company and its sales representatives are closely involved in discussion with customers to agree modifications needed to match precisely their requirements. Enhancements to existing products involve both minor changes to provide compatibility with software from other suppliers and development to incorporate additional features.

Time of use meter

This product, which is at an advanced stage of development, will extend the information displayed to include the customer's use of electricity during pre-set periods throughout the day. In addition, the meter will be able to store data and will have the novel capability of being read and programmed by utilities over a telephone line. Currently, the most advanced time of use meters on the US market are manufactured by General Electric Company. The Company's time of use meter is designed to compete with these and will offer increased capabilities, including the telephone link to the utility's central station. It is expected that sales of evaluation quantities of the Company's time of use meter will be made during the current year and that material sales will be achieved in the year ending 30th June, 1986.

The potential market for time of use meters is very large, considerably larger than that for the Company's existing products. The Company's time of use meter will be compatible with its central stations and hand-held readers. Its marketing strategy will, initially, involve seeking to capitalise on its established customer base to achieve a significant share of this market.

Load management system

A load management system enables utilities to conserve energy. This is achieved by disconnecting certain non-essential appliances such as water heaters and air-conditioning systems to reduce consumption of electricity by domestic customers at times of peak demand. A signal is sent to the receiver located at the customer's premises which disconnects the supply of electricity to the selected appliances. The disconnection is made for repeated short periods of time in a manner designed to minimise inconvenience.

Various load management systems have been developed in the US using radio, telephone or power line links. The use of a radio signal has proved unreliable and the use of telephone requires the utility to install dedicated telephone lines at its own expense. The Company has concentrated on designing a load management system using the power line which is already in the utilities' control. Existing systems using the power line are expensive due to the high cost of communications equipment. They have proved to be unsuitable for underground wiring and are susceptible to electrical interference. The Company has developed a new technique for communicating over the power line and, on the basis of early tests, the Directors believe that the Company's load management system offers significant advantages over other systems.

Field trials for the load management system are scheduled for this month, somewhat later than planned, partly due to there being a surplus of generating capacity, reducing in the short term the attractions of the product to utilities, and partly due to a concentration by the Company on the ProData system and time of use meter, since these products are likely to generate sales sooner than the load management system. Since the period of evaluation is expected to be lengthy, no significant sales are expected before the year ending 30th June, 1987.

PREMISES AND NET TANGIBLE ASSETS

The Company's principal place of business is in Charlotte, North Carolina, where it has 30,000 square feet of leased premises. Additionally, it has a research and development facility in leased premises in Chapel Hill, North Carolina, comprising 1,735 square feet.

In August, 1984 the Company purchased a new site in Charlotte on which it has commenced construction of a building of 92,000 square feet to house the activities carried out in its present Charlotte premises. The additional space in the new facility will provide scope for expansion for the forseeable future. The cost of the land, building and equipment will total some $4.5 million in the current year. In addition, $3–4 million is expected to be spent in the two subsequent years on further equipment for more automated assembly, for software development and for testing. Furthermore, the Directors have decided to purchase land and to build a research and development facility of 20,000 square feet in Research Triangle Park, North Carolina, to replace the existing facility in Chapel Hill. The *Company has an option over a suitable plot.*

The net tangible assets of the Company at 30th June, 1984, adjusted for the net proceeds to the Company of the new shares, are $13.1 million, equivalent to 24.4 cents per share.

DIRECTORS, MANAGEMENT AND EMPLOYEES

Executive Directors

Lawson E. Hamilton, III, 45, is Chairman, President and Chief Executive Officer. He obtained a B.Sc. degree in engineering physics from the University of Alabama. Prior to founding the Company in 1969 he was Director of Operations Research for El Paso Natural Gas *Company and subsequently a systems engineer with IBM.*

Frank H. Hoff, 52, is Vice President – Sales and obtained a B.Sc. degree in electrical engineering from the University of Missouri. He has been associated with the Company, in various areas of sales since 1976, prior to which he was a Vice President of Teledyne Brown Engineering, a division of Teledyne Industries Inc. He was elected to the Board in September, 1984.

Wm. Michael Turner, 37, is Vice President – Finance and Operations, Treasurer and Secretary. After obtaining a B.Sc. degree in accounting and a doctorate in law from the University of North Carolina, he served as an accountant for an electronics firm. He was an associate in a law firm prior to joining the Company full-time in 1978. He was elected to the Board in February, 1980.

Non-executive Directors

Michael D. Alembik, 48, is a principal of Alembik, Fine & Callner, P.A. He joined the Board in 1969.

E. Reed Gaskin, 59, is a practising ophthalmologist and is a Director of various other corporations, including Chairman of the Board of Applied Electronics, Inc. He joined the Board in 1969.

Luther H. Hodges, Jr., 48, serves as Chairman and Chief Executive Officer of The National Bank of Washington. He has served in several capacities in both the private and public sectors, including those of Deputy Secretary of the US Department of Commerce and Chairman of North Carolina National Bank. He joined the Board in 1969.

W. Olin Nisbet, III, 44, is a Director of several corporations and is a partner in Sterling *Capital Management Company. He was formerly Managing Director of Interstate Securities* Corporation and joined the Board in 1978.

Earl N. Phillips, Jr., 43, is the founder and President of First Factors Corporation and joined the Board in 1980.

Other senior management

William C. Beverly, Jr., 43, is Product Manager and is responsible for the development of the time of use meter. He obtained a B.Sc. degree in electrical engineering and an M.B.A., both from the University of South Caroline. He joined the Company in 1979.

Darrel P. Glankler, 42, is Manager of Engineering and has overall responsibility for research and development. He obtained a B.Sc. degree in civil engineering from the Georgia Institute of Technology and an M.B.A. from Tulane University. He joined the Company in 1969, transferred to Reliance Electric Company in 1975 and re-joined the Company earlier this year.

Frederick F. Hering, III, 51, is Manufacturing Manager. He obtained a B.Sc. degree in mechanical engineering from Worcester Polytechnic Institute, Massachusetts. He joined the Company earlier this year after 27 years of diverse industrial experience.

Employees

The Company has 86 full-time employees (excluding the three Executive Directors). An analysis by function is set out below:

Manufacturing	36
Engineering	32
Finance and administration	10
Sales	8
	86

In response to the growth in the Company's sales, the total number of employees has grown from 18 in 1980 to 39 at 30th June, 1983, 66 at 30th June, 1984 and 89 today. The number of employees is expected to exceed 100 by the end of the current financial year. Sales per employee, however, have also increased being $105,000 in the year ended 30th June, 1983 and $159,000 in the year ended 30th June, 1984.

All key personnel have signed confidentiality undertakings in relation to the Company's technology and proprietary information. In addition, the Executive Directors have signed service contracts which enable the Company to retain their services at least until 31st January, 1987.

Remuneration and Stock Options

The Company believes that incentive remuneration and Stock Options are important elements in the achievement of corporate targets and in the recruitment and retention of qualified technical and management personnel.

The remuneration package of key employees, including the Executive Directors, comprises an element of fixed salary and an element of bonus. In the case of the Executive Directors, their remuneration package is fixed at the beginning of each financial year by the Compensation Committee of the Board, a majority of which consists of Non-executive Directors. Information as to Directors' remuneration is set out in paragraph 4 of Appendix III. The Company has no pension scheme.

Many of the present employees own shares in the Company which they acquired as a result of exercising Stock Options. Messrs. Hamilton, Hoff and Turner have Stock Options in respect of an aggregate of 4.4 million shares and details of these are set out in paragraph 4 of Appendix III. Further Stock Options will be granted only under Stock Option plans approved by shareholders. A Stock Option plan will, in due course, be submitted to shareholders for their approval.

PROFIT FORECAST AND DIVIDENDS

The Company's earnings are weighted towards the second half of its financial year, as will be reflected in the results for the six months to 31st December, 1984. During the quarter ended 30th September, 1984, the Company invested heavily in additional personnel, additional leasehold premises in Charlotte and additional expenditure on research and development, in anticipation of the substantial increase in volume projected for the year as a whole. As a result, during that quarter, the Company achieved only a marginal level of earnings.

However, the Directors forecast that, in the absence of unforeseen circumstances, the net income after taxes of the Company for the year ending 30th June, 1985, will be not *less than $2.9 million, equivalent to 5.6 cents per share, based on the weighted average* number of shares expected to be in issue during the year. The bases and principal assumptions on which this forecast is made, together with letters relating thereto, are set out in Appendix II.

The Company has paid no dividends to date. The Directors intend that most of the Company's earnings should continue to be retained. In the absence of unforeseen circumstances and based on the profit forecast set out above, the Directors intend to pay a dividend in respect of the new shares and the existing shares in the Company for the year ending 30th June, 1985 of 0.25 cents per share.

It is intended that an annual dividend will be paid in October each year. No interim dividend will be paid. All dividends will be declared in US dollars but will be paid to shareholders with registered addresses in the UK in sterling unless such shareholders opt for payment in US dollars. An appropriate form is available from the Company's UK Registrar, National Westminster Bank PLC, Registrar's Department, P.O. Box No. 82, 37 Broad Street, Bristol BS99 7NH.

PROSPECTS

The US electrical utilities will continue to replace electro-mechanical devices with more sophisticated and reliable solid state equipment for some years to come. Only some 8 per cent. of the market for solid state recorders is estimated to have been satisfied so far. The Company is now poised to benefit significantly from a lengthy period of evaluation of its solid state recorders by a number of major US electrical utilities. The Directors are therefore confident that, given the Company's dominant position in the market, potential exists for significantly increased sales of solid state recorders to the Company's existing and new customers. The requirement for increasingly detailed survey data on the consumption of electricity should particularly benefit sales of the ProData system.

In the longer term the Company's strategy is to supply electrical utilities with equipment designed to flatten demand peaks in electricity consumption. Given the high cost of new electricity generating capacity, the strong preference of utilities is to increase existing plant use if new building programmes can thereby be deferred. The Company has concluded that utilities will best be able to encourage their customers to reduce consumption at times of peak demand by time of use pricing and load management programmes. The two principal products in the course of development by the Company are believed by the Directors to be better suited to meeting these objectives than any of the alternative products currently available.

The Company has so far restricted its marketing to the US electricity supply industry. The Company believes, however, that its products are well suited to use by overseas utilities and is actively pursuing possible joint venture arrangements with a number of major overseas manufacturers and distributors. Marketing will not, however, proceed until the Company has appropriate after-sales and support facilities in place.

The Company has expanded rapidly and net income will (taking into account the forecast for the current financial year) have grown at an average annual compound rate of over 100 per cent. during the five years ending 30th June, 1985. While the existing products are expected to continue to provide substantial growth in sales and earnings, the rate of growth will inevitably be slower as the market's requirements are gradually met. Nevertheless the Directors have confidence in the long-term growth prospects of the Company because it is a high technology company with a dominant market position for its existing products and a substantial commitment to research and development for new products.

REASONS FOR THE OFFER FOR SALE

16 million shares are being made available in the Offer for Sale, of which 6.4 million new shares are being issued by the Company and sold from treasury, to raise approximately £5.3 million after expenses. The Directors consider it an appropriate time in the Company's development further to expand its equity base. The strengthening of an already strong balance sheet will help the Company's marketing activities as financial strength is an important factor in US electrical utilities' choice of supplier.

It is envisaged that the new generation of products, unlike former products, will require considerably greater investment in working capital than has been needed in the past. In particular, the Company envisages the need to make available central stations to utilities wishing to evaluate its load management system and to provide a support team during each customer's evaluation period.

While the Company has, taking account of its credit facilities and its existing cash resources, adequate capital for its planned expenditure programme for the foreseeable future, the Offer for Sale is intended to fund the Company's medium-term expansion and to provide the Company with greater flexibility to take advantage of opportunities as they arise.

TAXATION

A brief summary of certain relevant UK and US tax considerations, affecting those potential investors who are UK resident for tax purposes, is set out in paragraph 7 of Appendix III. Potential investors who are in any doubt as to their position should consult their own tax advisers regarding the tax consequences of an investment in the Company.

APPENDIX I — ACCOUNTANTS' REPORT

The following is a copy of a report to the Directors of Process Systems, Inc., and to the Directors of J. Henry Schroder Wagg & Co. Limited by Price Waterhouse, Charlotte, North Carolina and Price Waterhouse, London, Joint Reporting Accountants.

The Directors
Process Systems, Inc.

The Directors
J. Henry Schroder Wagg & Co. Limited — 7th December, 1984

Gentlemen,

We have examined the balance sheets of Process Systems, Inc. ("the Company") at 30th June, 1980, 1981, 1982, 1983, and 1984, and the related statements of operations and changes in financial position for the years then ended. These financial statements, which were prepared under the historical cost convention, were audited by Price Waterhouse, Charlotte, North Carolina. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements set out below present fairly, under the historical cost convention, the financial position of Process Systems, Inc., at 30th June, 1980, 1981, 1982, 1983, and 1984 and the results of its operations and the changes in its financial position for each of the years then ended, in conformity with generally accepted accounting principles in the US consistently applied. No material adjustments would be required were the financial statements to be presented in accordance with accounting principles generally accepted in the UK.

In the preparation of the financial statements no adjustments have been required to the previously reported financial statements of the Company at 30th June, 1980, 1981, 1982, 1983, and 1984. No audited financial statements of the Company have been prepared in respect of any period subsequent to 30th June, 1984.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and are stated in US dollars.

Inventories

Inventories are stated at the lower of cost, determined on the first-in, first-out method, and net realisable value. Work in progress comprises material costs and an appropriate proportion of direct labour costs.

Process Systems, Inc.
continued

Property and equipment

Property and equipment are recorded at cost. Major renewals and improvements are added to the property accounts at cost, while replacements, maintenance, and repairs which do not improve or extend the lives of the respective assets are expensed as incurred. Gain or loss on retirements or disposals of individual assets is recorded in income or expense. Depreciation is provided using the straight-line method over the estimated useful lives of the assets which are summarised below:—

	Estimated useful lives
Production/Testing equipment	3-7 years
Exhibition equipment	3-5 years
Office furniture	6-8 years
Leasehold improvements	4 years
Automobiles	4 years

Net sales of products and services

Product sales and other revenues comprise amounts invoiced to customers in respect of goods and services supplied, net of returns, and allowances. Interest income is also included.

Research and development costs

Research and development costs are charged to expense as incurred.

Income taxes

The Company accounts for depreciation differently for financial reporting purposes than for federal income tax purposes and makes appropriate provision for deferred taxes in recognition of the timing differences. Investment tax credits are accounted for as a reduction of income tax expense in the year the credits are utilised.

STATEMENTS OF OPERATIONS

	Year ended 30th June.				
	1980 $	1981 $	1982 $	1983 $	1984 $
Net sales of products and services(Note 2)	818,561	1,576,560	2,361,599	3,718,403	8,349,038
Costs and expenses					
Cost of sales	260,339	599,876	680,196	1,000,876	2,931,311
Research and development expenses	44,288	193,734	342,648	491,899	922,584
Selling, general and administrative expenses	427,244	539,477	783,191	1,099,537	1,737,185
Depreciation	14,999	30,208	67,252	72,321	129,165
Interest expense	67,053	61,384	29,071	16,475	6,845
	813,923	1,424,679	1,902,358	2,681,108	5,727,090
Income before income taxes	4,638	151,881	459,241	1,037,295	2,621,948
Provision for income taxes (Note 3)	1,229	56,046	136,131	435,000	1,119,000
Income before extraordinary item	3,409	95,835	323,110	602,295	1,502,948
Realisation of operating losses carried forward (Note 3)	1,229	56,046	56,131	—	—
Net income	4,638	151,881	379,241	602,295	1,502,948
Retained earnings (accumulated deficit) brought forward	(968,764)	(964,126)	(812,245)	(433,004)	169,291
Retained earnings (accumulated deficit) carried forward	(964,126)	(812,245)	(433,004)	169,291	1,672,239
Earnings per common share, including common share equivalents (Note 4)*:	cents	cents	cents	cents	cents.
Income before extraordinary item	0.02	0.36	1.08	1.95	3.81
Realisation of operating losses carried forward	0.01	0.21	0.19	—	—
Net income	0.03	0.57	1.27	1.95	3.81

*Adjusted retrospectively for 200 to 1 stock split (Note 8).

BALANCE SHEETS

	As at 30th June.				
	1980 $	1981 $	1982 $	1983 $	1984 $
ASSETS					
Property and equipment at cost less accumulated depreciation (Note 5)	109,771	92,053	214,522	259,130	798,480
Current assets					
Inventories (Note 6)	232,388	210,019	254,608	944,217	1,083,719
Accounts receivable	328,126	284,501	408,897	721,485	2,852,816
Prepaid expenses	3,744	2,731	7,924	28,248	31,470
Cash and cash equivalents	33,058	109,667	230,203	494,578	3,716,652
	597,316	606,918	901,632	2,188,528	7,684,657
Total assets	707,087	698,971	1,116,154	2,447,658	8,483,137
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities					
Notes payable within one year (Note 7)	214,303	51,908	27,927	20,000	—
Accounts payable	87,652	57,937	114,227	275,361	730,301
Income taxes payable	—	—	80,000	327,000	596,670
Accrued expenses and other creditors	68,925	151,151	157,856	230,113	378,105
	370,880	260,996	380,010	852,474	1,705,076
Notes payable after one year (Note 7)	304,640	229,527	128,405	75,000	—
Deferred income taxes	—	—	—	18,000	60,000
Total liabilities	675,520	490,523	508,415	945,474	1,765,076
Stockholders' equity (Note 8)					
Common stock	655,100	680,100	753,100	957,850	1,144,350
Capital in excess of par value	340,593	340,593	340,393	395,443	3,982,372
Retained earnings (accumulated deficit)	(964,126)	(812,245)	(433,004)	169,291	1,672,239
	31,567	208,448	660,489	1,522,584	6,798,961
Treasury stock at cost (Note 8)	—	—	(52,750)	(20,400)	(80,900)
Total stockholders' equity	31,567	208,448	607,739	1,502,184	6,718,061
Total liabilities and stockholders' equity	707,087	698,971	1,116,154	2,447,658	8,483,137

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Year ended 30th June.				
	1980 $	1981 $	1982 $	1983 $	1984 $
Financial resources were provided by:					
Income before extraordinary item	3,409	95,835	323,110	602,295	1,502,948
Add income charges not affecting working capital:					
Depreciation	14,999	30,208	67,252	72,321	129,165
Deferred income taxes	—	—	—	18,000	42,000
Working capital provided by operations	18,408	126,043	390,362	692,616	1,674,113
Working capital provided by extraordinary item—realisation of operating losses carried forward	1,229	56,046	56,131	—	—
Proceeds from sale of common stock	135,000	—	12,800	112,950	3,605,029
Proceeds from sale of treasury stock	3,373	—	—	53,600	—
Proceeds from Stock Options exercised	—	25,000	60,000	146,000	168,400
Increase in notes payable after one year	104,313	—	—	75,000	—
Other	987	(85)	4,902	4,269	21,450
	263,310	207,004	524,195	1,084,435	5,468,992
Financial resources were used for:					
Purchase of property and equipment	65,808	12,405	194,623	121,198	689,965
Reduction in notes payable after one year	—	75,113	101,122	128,405	75,000
Purchase of treasury stock	—	—	52,750	20,400	60,500
	65,808	87,518	348,495	270,003	825,465
Increase in working capital	197,502	119,486	175,700	814,432	4,643,527
Changes in components of working capital:					
Increase (decrease) in current assets:					
Cash and cash equivalents	28,136	76,609	120,536	264,375	3,222,074
Accounts receivable	227,271	(43,625)	124,396	312,588	2,131,331
Inventories	75,984	(22,369)	44,589	689,609	139,502
Prepaid expenses	(13,781)	(1,013)	5,193	20,324	3,222
	317,610	9,602	294,714	1,286,896	5,496,129
(Increase) decrease in current liabilities:					
Notes payable within one year	(22,813)	162,395	23,981	7,927	20,000
Accounts payable	(59,599)	29,715	(56,290)	(161,134)	(454,940)
Income taxes payable	—	—	(80,000)	(247,000)	(269,670)
Accrued expenses and other current liabilities	(37,696)	(82,226)	(6,705)	(72,257)	(147,992)
	(120,108)	109,884	(119,014)	(472,464)	(852,602)
Increase in working capital	197,502	119,486	175,700	814,432	4,643,527

NOTES TO FINANCIAL STATEMENTS

Note 1 Activities

Process Systems, Inc. designs, manufactures and distributes solid state and microelectronic control and recording equipment for the US electricity supply industry. As a result of the concentration of its business in this industry, a significant portion of the Company's revenue is derived from relatively few customers. Approximately 53 per cent. of the net sales for the year ended 30th June 1984 was derived from three customers; for the year ended 30th June 1983, approximately 43 per cent. of the net sales was derived from two customers.

Note 2 Net sales

Included in net sales of products and services is interest income of:

Year ended 30th June.				
1980 $	1981 $	1982 $	1983 $	1984 $
—	857	15,998	16,633	46,663

Note 3 Provision for income taxes

Provision for income taxes comprises the following:

	Year ended 30th June.				
	1980 $	1981 $	1982 $	1983 $	1984 $
Current	1,229	56,046	136,131	417,000	1,077,000
Deferred	—	—	—	18,000	42,000
	1,229	56,046	136,131	435,000	1,119,000
Operating losses carried forward were offset against the above expense as follows:	1,229	56,046	56,131	—	—

During 1982 the Company utilised all remaining net operating losses carried forward.

Note 4 Earnings per common share

Earnings per common share are calculated based on the weighted average number of common shares outstanding and equivalent shares issuable under assumed exercise of Stock Options retrospectively stated to reflect a 200 to 1 stock split approved by the shareholders on 11th May, 1984.

The weighted average number of shares in the earnings per share computations was 24,388,000, 26,421,000, 29,871,400, 30,929,400 and 39,443,200 for 30th June, 1980, 1981, 1982, 1983 and 1984 respectively.

Note 5 Property and equipment

	As at 30th June.				
	1980 $	1981 $	1982 $	1983 $	1984 $
Cost:					
Production/Testing equipment	103,854	114,319	191,651	224,280	636,772
Exhibition equipment	29,288	27,361	54,700	79,754	142,227
Office furniture	21,908	23,203	63,855	98,156	192,373
Leasehold improvements	10,713	10,713	27,856	44,812	122,333
Automobiles	6,154	6,154	21,400	27,494	31,290
Construction in progress	—	—	—	—	1,602
	171,917	181,749	359,502	472,496	1,126,597
Accumulated depreciation:					
Production/Testing equipment	33,462	51,479	85,679	120,507	184,213
Exhibition equipment	12,765	15,246	26,811	39,582	57,729
Office furniture	11,207	14,107	23,103	32,671	51,691
Leasehold improvements	2,593	5,406	2,413	10,759	29,597
Automobiles	2,119	3,458	6,974	9,847	4,887
	62,146	89,696	144,980	213,366	328,117
Net book value	109,771	92,053	214,522	259,130	798,480

Note 6 Inventories

Inventories comprise the following:

	As at 30th June.				
	1980 $	1981 $	1982 $	1983 $	1984 $
Finished goods and purchased equipment	4,925	37,530	56,636	396,856	448,998
Work in progress	150,521	110,510	102,950	382,028	174,208
Electronic components	76,942	61,977	95,022	165,333	460,525
	232,388	210,019	254,608	944,217	1,083,719

Note 7 Notes payable

Notes payable may be analysed as follows:

	As at 30th June.				
	1980 $	1981 $	1982 $	1983 $	1984 $
Demand notes	161,324	—	—	—	—
Instalment notes					
—due within one year	52,979	51,908	27,927	20,000	—
—due after one year	304,640	229,527	128,405	75,000	—
	518,943	281,435	156,332	95,000	—

See Note 10 regarding debt incurred to finance future capital expenditure.

Note 8 Stockholders' equity

Common stock

Prior to 11th May, 1984, the Company was authorised by its Articles of Incorporation to issue up to 300,000 shares of Class A common stock having a par value of $5 per share and up to 100,000 shares of Class B common stock having no par value.

On 11th May, 1984, stockholders approved certain changes to the capital structure of the Company. The number of authorised shares of Class A common stock, was increased to 500 000 shares, after which the par value of each share was changed to $0.025 from $5 resulting in 100,000,000 authorised shares of Class A common stock. The 100,000 authorised shares of Class B common stock, of which none were issued, were cancelled.

The table below shows the amounts of common stock in issue during the period.

Treasury stock

Treasury stock represents the cost of issued stock purchased by the Company and is available for re-issue or cancellation.

Stock Options

The Company has, in the past, granted Stock Options at the discretion of the Directors.

At 30th June, 1984 the following Stock Options (all of which were held by the present Executive Directors) were outstanding:

Number	Price	Expiry date
2,400,000	$0.150	30th June, 1985
2,200,000	$0.675	30th June, 1987
2,200,000	$0.675	30th June, 1989
6,800,000		

All of the Stock Options exercisable at $0.15 have since been exercised. In addition, 1,000,000 further options at $0.675 were authorised but had not been granted at 30th June, 1984. The Directors have subsequently cancelled this authorisation.

Transactions in common stock, capital in excess of par value and treasury stock for the five years ended 30th June, 1984, all of which have been retrospectively restated to reflect the 200 to 1 stock split approved on 11th May, 1984, were as follows:

	Common stock Shares	Common stock Amount $	Capital in excess of par value $	Treasury stock Shares	Treasury stock Amount $
Balance at 30th June, 1979	20,804,000	520,100	339,385	682,000	2,165
Sale of 662,000 shares from treasury at $0 005 per share	—	—	1,208	(662,000)	(2,102)
Issue of shares to employee as remuneration	—	—	—	(20,000)	(63)
Sale of 5,400,000 shares at par value of $0.025 per share	5,400,000	135,000	—	—	—
Balance at 30th June, 1980	26,204,000	655,100	340,593	—	—
Exercise of Stock Options for 1,000,000 shares at par value of $0.025 per share	1,000,000	25,000	—	—	—
Balance at 30th June, 1981	27,204,000	680,100	340,593	—	—
Exercise of Stock Options for 2,400,000 shares at par value of $0.025 per share	2,400,000	60,000			
Issue of shares under employee stock purchase agreements:					
500,000 shares at $0 025 per share	500,000	12,500	—	—	—
20,000 shares at $0.015 per share	20,000	500	(200)	—	—
Purchase of 1,340,000 shares into treasury	—	—	—	1,340,000	52,750
Balance at 30th June, 1982	30,124,000	753,100	340,393	1,340,000	52,750
Issue of shares under employee stock purchase agreements:					
4,410,000 shares at $0.025 per share	4,410,000	110,250	—	—	—
180,000 shares at $0 015 per share	180,000	4,500	(1,800)	—	—
Exercise of Stock Options:					
3,400,000 shares at $0.04 per share	3,400,000	85,000	51,000	—	—
200,000 shares at $0 05 per share	200,000	5,000	5,000	—	—
Sale of 1,340,000 shares from treasury at $0.04 per share	—	—	850	(1,340,000)	(52,750)
Purchase of 460,000 shares into treasury	—	—	—	460,000	20,400
Balance at 30th June, 1983	38,314,000	957,850	395,443	460,000	20,400
Purchase of 340,000 shares into treasury	—	—	—	340,000	60,500
Exercise of Stock Options:					
850,000 shares at $0.04 per share	850,000	21,250	12,750	—	—
200,000 shares at $0.05 per share	200,000	5,000	5,000	—	—
440,000 shares at $0.06 per share	440,000	11,000	15,400	—	—
100,000 shares at $0.10 per share	100,000	2,500	7,500	—	—
200,000 shares at $0.125 per share	200,000	5,000	20,000	—	—
420,000 shares at $0.15 per share	420,000	10,500	52,500	—	—
Sale of 5,250,000 shares at $0.75 per share	5,250,000	131,250	3,806,250	—	—
Share issue costs	—	—	(332,471)	—	—
Balance at 30th June, 1984	45,774,000	1,144,350	3,982,372	800,000	80,900
Since 30th June, 1984 the following further transactions have occurred:					
Purchase of 40,000 shares into treasury	—	—	—	40,000	12,500
Exercise of Stock Options 2,400,000 shares at $0.15 per share	2,400,000	60,000	300,000	—	—
Balance at 7th December, 1984	48,174,000	1,204,350	4,282,372	840,000	93,400

Note 9 Lease commitments

The Company leases space which houses the general offices and engineering, assembly and testing facilities under several lease agreements which at 30th June, 1984 provided for monthly payments of $6,935 until September 1987. In August 1984 the Company leased additional space for which it is committed to monthly payments of $2,500 until July 1985, at which time they increase to $2,800 until October 1985.

The Company has also leased additional premises to house a research and development unit under a lease agreement which provides for monthly payments of $1,591 until October 1985.

Total rent expense for the period was as follows:

Year ended 30th June.				
1980 $	1981 $	1982 $	1983 $	1984 $
18,808	19,353	37,205	63,160	89,320

Note 10 Future capital expenditure

On 12th April, 1984 the Directors authorised the expenditure of up to $5 million for the purchase of land and the construction and equipping of new premises to house the Company's manufacturing, engineering, sales and administrative functions. In August, 1984 the Company purchased approximately 12.4 acres in Charlotte, North Carolina, at a cost of $614,096, for the site of this new facility and has signed a contract for the construction of the building. On 28th September, 1984 the Company received an advance of the proceeds of a $5 million Industrial Revenue Bond issue, which will be used to finance the new facility and equipment. On 8th October, 1984 the Directors authorised the expenditure of up to $2.3 million for the purchase, construction and equipping of a new research facility in Research Triangle Park, North Carolina.

Note 11 Directors' remuneration

Aggregate Directors' remuneration for the period was as follows:

Year ended 30th June.				
1980 $	1981 $	1982 $	1983 $	1984 $
59,830	84,860	133,880	241,100	341,040

Note 12 Auditors' remuneration

Auditors' remuneration for the period was as follows:

Year ended 30th June.				
1980 $	1981 $	1982 $	1983 $	1984 $
6,250	6,500	7,000	8,000	12,000

Yours faithfully,

PRICE WATERHOUSE	PRICE WATERHOUSE
Certified Public Accountants	Chartered Accountants
One NCNB Plaza, Suite 3200	Southwark Towers
Charlotte	32 London Bridge Street
North Carolina 28280	London SE1 9SY

APPENDIX II—PROFIT FORECAST

1. Bases and principal assumptions

The profit forecast of the Company for the year ending 30th June, 1985 has been prepared on the basis of the unaudited management accounts for the three months ended 30th September, 1984, a forecast for the nine months ending 30th June, 1985 and accounting policies consistent with those previously adopted. The profit forecast has been made on the following principal assumptions:—

(a) there will be no material reduction in interest rates;

(b) there will be no material change in the bases of or increase in rates of taxation;

(c) there will be no significant delay in the supply of the additional environmental test equipment currently on order; and

(d) the ProData system is accepted by certain major US electrical utilities following completion of the current evaluation programmes.

2. Letters

The following are copies of letters relating to the profit forecast for the year ending 30th June, 1985:

Letter from Price Waterhouse, London:—

The Directors,
Process Systems, Inc.,
8334 Arrowridge Boulevard,
Charlotte,
North Carolina, 28310

Southwark Towers,
32 London Bridge Street,
London SE1 9SY

7th December, 1984

Gentlemen,

We refer to the Offer for Sale dated 7th December, 1984.

We have reviewed the accounting policies and calculations for the forecast of net income of Process Systems, Inc., for which you as Directors are solely responsible, for the year ending 30th June, 1985.

In our opinion, the forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the Directors set out in Appendix II and is presented on a basis consistent with the accounting policies normally adopted by Process Systems, Inc.

Yours faithfully,
PRICE WATERHOUSE
Chartered Accountants

Letter from J Henry Schroder Wagg & Co. Limited:—

The Directors,
Process Systems, Inc.
8334 Arrowridge Boulevard,
Charlotte,
North Carolina, 28210

120 Cheapside,
London EC2V 6DS

7th December, 1984

Gentlemen,

We refer to the Offer for Sale dated 7th December, 1984.

We have discussed with you and with Price Waterhouse, London the forecast of net income of Process Systems, Inc. for the year ending 30th June, 1985 together with the assumptions on which it is based set out in Appendix II.

In our opinion, the forecast, for which you as Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
for J. HENRY SCHRODER WAGG & CO. LIMITED
H. G. Ashton
Director

APPENDIX III—GENERAL INFORMATION

1. Incorporation

The Company was incorporated on 1st July, 1969 with limited liability pursuant to the Business Corporation Code of the State of Georgia under the name of Information Laboratories, Inc. with an authorised share capital of $1,000,000 divided into 200,000 shares of common stock of par value $5 each. On 11th May, 1984, the Company merged with its wholly-owned subsidiary, Process Systems Incorporated, and changed its name to Process Systems, Inc.

2. Share capital

(a) Particulars of the shares of the Company which, within the period of two years prior to the date hereof, have been issued for cash and the consideration for which those shares have been issued are included in Note 8 to Appendix I.

(b) Save as disclosed in Note 8 to Appendix I and in paragraphs 4(d) and 5 below no share or loan capital of the Company or its former subsidiary has been issued within the period of two years immediately preceding the date hereof or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash.

(c) Save as disclosed in Note 8 to Appendix I and in paragraphs 4(d), 5 and 10(c) below no commissions, discounts, brokerages or other special terms have been granted by the Company or its former subsidiary within the period of two years immediately preceding the date hereof in connection with the issue or sale of any share or loan capital of the Company or its former subsidiary.

(d) Save as disclosed in paragraph 4(d) below no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

(e) Following the Offer for Sale, 46,266,000 shares will remain unissued. No shares will remain in treasury.

(f) No issue of shares which would effectively alter the control of the Company will be made without the prior approval of shareholders in general meeting.

(g) No material issue of shares, other than to shareholders *pro rata* to existing holdings, will be made within one year of the date hereof without the prior approval of shareholders in general meeting.

(h) No issue for cash of shares, or of securities convertible into shares, will be made so as materially to dilute the percentage interests of shareholders unless such issue is made with the prior approval of shareholders in general meeting or on terms not likely to detract significantly from the value of shareholders' interests.

3. Constitution of the Company

The instruments defining the constitution of the Company are its Articles of Incorporation and its By-Laws. The following summary of the constitution of the Company and the principal provisions regulating its internal management is based upon those documents and upon the applicable provisions of the Business Corporation Code of the State of Georgia.

(a) Shareholders' meetings and notices

Shareholders' meetings may be held within the State of Georgia or elsewhere.

At the annual meeting of the Company, the shareholders elect the Board of Directors and transact such other business as may properly be brought before the meeting. Special meetings of the shareholders may be called by the Chairman or the President and must be called by the Chairman, the President or the Secretary when so directed by the Board of Directors or at the request in writing of any two or more Directors or at the request in writing of shareholders representing 10 per cent. of the total voting rights of all the shareholders entitled to vote on matters to be submitted to shareholders. Written notice of each meeting of the shareholders must be given not less than 14, nor more than 50 days, before the meeting provided that a meeting called to determine a question which must be decided otherwise than by a simple majority of the votes cast must be called on not less than 21 days' notice.

A quorum at any shareholders' meeting shall be the holders present in person or represented by proxy of at least one third of the shares issued and outstanding and entitled to vote.

(b) Voting rights

Except as otherwise provided by law, every question (other than an amendment to the Articles of Incorporation or the By-Laws) shall be determined by a majority of the votes cast on such question. Each issued and outstanding share shall entitle the holder to one vote on each matter submitted to a vote at a meeting of shareholders. Any shareholder entitled to vote may vote by proxy, provided that the instrument appointing such proxy (who need not be a shareholder), shall have been executed in writing by the shareholder or by his duly authorised attorney-in-fact or, in the case of a company, such instrument shall be under its corporate seal or signed by a duly authorised officer or agent.

(c) Directors

The property and business of the Company is managed by its Board of Directors. The Board of Directors shall consist of not less than 5 nor more than 9 members. There is no share qualification or upper age limit for Directors. Each Director holds office until the next annual meeting of shareholders and until his successor shall have been elected or until his earlier death, resignation, incapacity or removal. The removal of Directors from office by shareholders requires the affirmative vote of the holders of a majority of the shares. If any vacancies occur among the Directors, the remaining Directors continue to act and such vacancies may be filled by a majority of the Directors then in office. Directors may be allowed such reasonable remuneration for attendance at regular or special meetings of the Board of Directors or of any committees of the Board as may from time to time be determined by resolution of the Board of Directors.

Subject as mentioned below, a Director shall not vote in respect of any contract, transaction or other proposal whatsoever in which he has any material interest (otherwise than by virtue of his interest in shares of or otherwise in or through the Company) nor shall he be counted in the quorum in a meeting in relation to any resolution on which he is debarred from voting. A Director shall be entitled to vote (and be counted in the quorum) with respect to any resolution concerning *(inter alia)* any of the following matters: the giving of any security or indemnity to a Director in respect of obligations incurred by him on behalf of the Company; the giving of any security or indemnity to a third party in respect of an obligation of the Company for which the Director has assumed personal responsibility; any proposal concerning an offer of securities of the Company in which a Director is interested as a participant in the underwriting thereof; any proposal concerning any other company in which a Director is interested as an officer or shareholder or otherwise, *provided that he does not hold more than 1 per cent. of any class of the equity share capital of such other* company; and any proposal concerning the adoption, modification or operation of a sinking fund or retirement benefit plan under which a Director may benefit and which is subject to and conditional upon approval by the appropriate authorities for taxation purposes. The Company may, by shareholders' resolution passed by a simple majority of the votes cast at an annual or a special meeting, suspend or relax the provisions described in this paragraph to any extent or ratify any transaction not duly authorised by reason of a contravention thereof.

(d) Borrowing powers

The Directors may exercise the powers of the Company to borrow but shall restrict the borrowings of the Company and exercise all voting and other rights and powers of control exercisable by the Company in relation to any subsidiaries so as to secure (so far, as regards subsidiaries, as by such exercise they can secure) that the aggregate amount for the time being outstanding of all borrowed moneys (as defined in the By-Laws) of the Company and its subsidiaries do not, except with the prior approval of a shareholders' resolution passed by a simple majority of the votes cast at an annual or a special meeting, exceed twice the aggregate of the share capital and paid in (surplus) capital of the Company and retained earnings as shown by the latest audited balance sheet (or, if the Company has for the time being subsidiaries, consolidated balance sheet) of the Company but adjusted as necessary in respect of any variation in share capital or paid in (surplus) capital since the date of such balance sheet (or consolidated balance sheet) and further adjusted as the auditors of the Company then shall consider appropriate. Approval of shareholders is not required for borrowings which would exceed this limit and which are applied or are intended to be applied within 6 months of the date of borrowing in the repayment of existing borrowings.

(e) Restrictions on transfers of shares

The shares registered on the UK Register (as defined below), including the shares now being offered for sale, may not be offered, sold, renounced or transferred directly or indirectly in North America or to or *for the benefit of any North American Person on or before 30th June, 1985.* The Directors are required to adopt measures to give notice of and to enforce such transfer restrictions, including causing all certificates *for such shares to bear a legend reflecting such transfer restrictions.*

(f) Dissolution

In the absence of insolvency, the Company may be dissolved only by written consent of all shareholders or following the adoption by the Board of Directors of a resolution recommending that the Company be dissolved and directing that the question of such dissolution be submitted to a vote at a meeting of shareholders which may be either an annual or special meeting. Such resolution shall be adopted upon receiving the affirmative vote of the holders of a majority of the shares.

(g) Amendments

The Articles of Incorporation of the Company may only be amended following the adoption by the Board of Directors of a resolution directing that the proposed amendment be submitted to a vote at a meeting of shareholders which may be either an annual or a special meeting. Such resolution shall be adopted on receiving the affirmative vote of the holders of a majority of the shares.

The By-Laws of the Company may be amended with the approval of not less than three-fourths of the votes cast at any annual or special meeting by shareholders attending, in person or by proxy, and voting at that meeting, provided that, in no event, may the share transfer restrictions set forth in sub-paragraph (e) above be amended or repealed on or before 30th June, 1985 and that the maximum and minimum number of Directors referred to in sub-paragraph (c) above and the other matters specifically referred to in sub-paragraphs (c) and (d) above may be amended by a simple majority of the votes cast at such a meeting.

(h) Indemnification

The By-Laws contain comprehensive requirements for the Company to indemnify Directors, officers and employees of the Company and others against loss arising from certain claims made and criminal prosecutions brought by virtue of their association with the Company, if the person concerned acted in good faith and in a manner which he reasonably believed not to be opposed to the interests of the Company or, in respect of criminal proceedings, if such person had no reasonable cause to believe his conduct to be unlawful.

(i) New issues

The pre-emptive rights of a shareholder to acquire unissued shares provided, in the absence of exclusion, by the Business Corporation Code of the State of Georgia are excluded by the Articles of Incorporation and the By-Laws contain no provisions calling for pre-emptive rights in the case of issues of shares.

4. Directors' and other interests

(a) Following the Offer for Sale, the Directors will have the following interests (all being beneficial) in the share capital of the Company which would appear in the register maintained under the Companies Act 1967 (as amended) if the Company were subject to the provisions of that Act:—

Name	No. of shares	Percentage of issued shares
L. E. Hamilton, III	4,983,749	9.3
F. H. Hoff	1,713,308	3.2
Wm. M. Turner	2,244,734	4.2
M. D Alembik	591,108	1.1
E. R. Gaskin	4,683,434	8.7
L. H. Hodges, Jr.	3,409,110	6.3
W. O. Nisbet, III	1,516,200	2.8
E. N. Phillips, Jr.	2,729,160	5.1

Process Systems, Inc.

continued

(b) Save as disclosed above, the Directors are not aware of any other person who, if the Company were subject to Part IV of the Companies Act 1981, would, following the Offer for Sale, be required to disclose an interest in shares in accordance with that Part of that Act.

(c) Mr. Alembik is a principal of Alembik, Fine & Callner, P. A. which receives fees for legal services rendered to the Company and will receive a fee for legal services rendered to the Company in connection with the Offer for Sale. Mr. Hodges has a minor interest in the limited partnership from which the Company acquired the freehold site at Arrowpine Block, Charlotte referred to in paragraph 6 below.

(d) The interests of the Directors in Stock Options are as follows:—

	Number of shares	Subscription Price	Exercise period
		$	
L. E. Hamilton, III	1,400,000	0.675	1.7.85-30.6.87
	1,400,000	0.675	1.7.87-30.6.89
F. H. Hoff	200,000	0.675	1.7.85-30.6.87
	200,000	0.675	1.7.87-30.6.89
Wm. M. Turner	600,000	0.675	1.7.85-30.6.87
	600,000	0.675	1.7.87-30.6.89

The above Stock Options were granted pursuant to Stock Option agreements (as subsequently amended) each effective as of 12th April, 1984. These include the following terms.—

(i) no payment was required to be made for the grant of the Stock Options:

(ii) if, prior to the exercise of any Stock Option, the Company shall have effected, *inter alia*, any stock split, readjustment or increase or reduction of capital for no consideration, any shares which may then be the subject of any Stock Option, and the purchase price therefor, shall be adjusted accordingly; and

(iii) each Stock Option is personal to the person to whom it is granted, may only be exercised if such person is in the full time employ of the Company (and, if such person within 180 days after exercise of the option terminates his employment with the Company other than on grounds of death or disability, the Company is entitled to repurchase the shares concerned at the subscription price paid) and shall not be encumbered or otherwise disposed of, except that, in the event of the death of such person, his estate shall have the right, within six months of his death, to exercise the portion of the Stock Options available to him at the time of his death.

(e) Messrs. Hamilton, Hoff and Turner each have service contracts dated 15th February, 1982 (as subsequently amended) with the Company for one year terms which automatically renew unless determined by either party on not less than 30 days' notice to expire on 31st January, 1986 or on any subsequent 31st January. If notice to terminate is given by an Executive Director the Company has, however, the right to require that the date of termination is postponed for up to one year. These contracts provide for the payment of annual salaries (in the current year to 30th June, 1985 being $140,000, $100,000 and $105,000 respectively) and a bonus under the Company's incentive remuneration scheme. No other Director has a service contract with the Company.

(f) The incentive remuneration of each Executive Director for the current year has been set by the Compensation Committee of the Board at 2 per cent. of sales in excess of $8 million. No incentive remuneration is, however, payable unless net income after taxes is at least $1.5 million or, if sales are in excess of $12 million, unless net income after taxes is at least $2 million.

(g) Under the arrangements in force in the current year, the aggregate remuneration of all the Directors (one of whom, Mr. Hoff, was not a Director in the previous financial year) would, if calculated on the figures projected in making the forecast of profits for the current year, be $794,000.

(h) Save as disclosed herein and save in respect of remuneration paid, payable or to be paid and in respect of the grant of Stock Options to Directors of the Company, no Director of the Company or other promoter has or has had any interest, direct or indirect, in the promotion of, or in, any assets which have been within the two years prior to the date hereof or which are proposed to be acquired or disposed of by or leased to the Company or its former subsidiary, and no contract or arrangement subsists at the date hereof in which such a Director is or was materially interested and which is or was significant in relation to the business of the Company.

5. Offer for Sale agreement

An agreement dated 6th December, 1984 has been entered into between (1) the Company, (2) the vendors, (3) the Directors and (4) J. Henry Schroder Wagg & Co. Limited ("Schroders") which provides, *inter alia*, for Schroders to subscribe for or purchase 6,400,000 new shares to be issued or sold by the Company and to purchase 9,600,000 vendor shares to be sold by the vendors, in each case at the same price as such shares are being sold pursuant to the Offer for Sale. The agreement is conditional, *inter alia*, on the Council of The Stock Exchange admitting all the shares of common stock of the Company to the Official List not later than 1 p.m. on 19th December, 1984 (subject only to posting of Letters of Acceptance).

Schroders will be paid a fee by the Company of 2 per cent. of the price at which the new shares are sold and *will be paid a fee by the vendors of 2 per cent. of the price at which the vendor shares are* sold. Out of such fees Schroders will pay sub-underwriting commissions to persons who have agreed to sub-underwrite the Offer for Sale, a fee to de Zoete & Bevan, stockbrokers to the Offer for Sale, and the fees of the solicitors to the Offer for Sale. The Company will also pay to Schroders a fee of £100,000 and a further fee to de Zoete & Bevan of £25,000, in consideration of their services in connection with the Offer for Sale. The Company will also pay all other costs and expenses of and incidental to the Offer for Sale and the application for admission of the shares to the Official List.

The agreement also contains, *inter alia*:— (i) certain warranties and undertakings by the Company and the Directors to Schroders; (ii) indemnities by the Company and the Directors in favour of Schroders in relation to this document; (iii) agreement by the Directors and the vendors not to dispose of any further shares in the Company for a period of one year without the prior written consent of Schroders; and (iv) provisions which permit the agreement to be terminated by Schroders prior to the announcement of the basis of allocation in the event of a material breach of any of the warranties or undertakings given to Schroders therein.

The numbers of shares being sold by the Directors and their families are as follows:—

Name	No. of shares
L. E. Hamilton, III	1,590,251
F. H. Hoff	546,694
Wm. M. Turner	716,286
M. D. Alembik	188,892
E. R. Gaskin	1,416,566
L. H. Hodges, Jr.	1,406,890
W. O. Nisbet, III	483,800
E. N. Phillips, Jr.	870,840

In addition 2,379,801 shares are being sold by a total of 58 other vendors.

6. Premises

Details of the Company's premises are set out below:

Location	Tenure	Expiry date	Annual rent
8334 Arrowridge Boulevard, Charlotte, North Carolina 28210	Leasehold	30th September, 1987	$83,220
8325 Arrowridge Boulevard, Charlotte, North Carolina 28210	Leasehold	31st October, 1985	$30,000(Note)
University Square East, Suite 308, 123 West Franklin Street, Chapel Hill, North Carolina 27514	Leasehold	31st October, 1985	$19,092
Arrowpine Block, Charlotte, North Carolina 28210	Freehold	—	—

Note: With effect from July 1985 the monthly rent of these premises will increase by $300.

7. Taxation

The Company is subject to US federal income tax as a domestic corporation. Such tax is imposed on taxable income at graduated rates up to 46 per cent. The Company is also subject to State franchise and corporate income taxes, including the North Carolina State Corporation Income Tax which is imposed on taxable income allocable to North Carolina at a rate of 6 per cent. It is not the intention of the Directors that the Company should become liable to any UK corporation tax by virtue of the establishment of any taxable presence in the UK; should such a presence arise in the future, credit for UK tax would be given against the US federal tax liability of the Company.

Prospective shareholders should consult their professional advisers in respect of the taxation consequences of acquiring, holding or disposing of the Company's shares. However, the following summary of the position of a UK *resident and domiciled shareholder, which is based on current* law and practice, should be noted:

(a) **UK tax on dividends**

An outline of the liability to UK tax of UK resident shareholders of the Company on dividends paid to them by the Company is set out below (the term "dividend" used in this section includes any distribution of an income nature as determined under US company law principles):

(i) An individual: any dividend paid to a UK resident individual will constitute investment income subject to the normal progressive rates of income tax. The dividend will constitute part of the investor's income regardless of whether or not he brings it into the UK.

(ii) A company and any other person or body of persons liable to corporation tax: any dividend paid to such an investor will be chargeable to corporation tax at whatever rate is applicable to the investor.

(iii) A trustee (other than a trustee within (iv) below): any dividend paid to a trustee will be taxed in the same way as any other income earned by the trust on its investments. Accordingly, basic rate income tax will be chargeable thereon, together with the 15 per cent. investment income surcharge, if the terms of the trust are such that the trust is liable to that tax.

(iv) A body exempt from income tax on income from foreign investments (e.g. an exempt approved pension scheme): the exemption will extend to any dividend paid by the Company.

UK tax (where appropriate) is assessed on the gross amount of the dividend before deduction of any US withholding tax, but credit is given for any such withholding tax by deducting the amount withheld from the UK tax chargeable on the dividend. A summary of certain provisions concerning US withholding tax is given in sub-paragraph (c) below.

Where dividends from the Company are paid to a UK resident through a bank or other paying agent in the UK, such paying agent is required to deduct an amount of UK income tax at a rate equal to the difference between the UK basic rate (at present 30 per cent.) and the appropriate US withholding tax rate. Both the US tax and the further UK tax withheld may be credited against the UK resident's final tax liability.

(b) **UK taxation on capital gains**

On a disposal of shares, UK investors who are resident or ordinarily resident in the UK may, depending on their circumstances, be subject to taxation on any capital gain, with a credit for any US tax on capital gains arising, as noted in sub-paragraph (c) below.

(c) **US federal taxation**

Dividends paid by the Company to UK resident shareholders entitled to the benefits of the Income Tax Convention between the UK and the US generally will be subject to US withholding tax at the rate of 15 per cent. on the gross amount of the dividends. With respect to dividends paid by the Company to a corporation which is a resident of the UK and which controls directly or indirectly at least 10 per cent. of the shares of the Company, the Convention would generally limit the rate to 5 per cent.

Under present US Treasury regulations, a foreign person with an address in the UK is presumed to be a resident of the UK and is, therefore, entitled to withholding of US tax at the applicable rate under the Convention without having to file a form to establish eligibility for withholding at such rate. The US Treasury has, however, recently proposed revised regulations pursuant to which a shareholder would be required to make certain filings with the US Internal Revenue Service in order to secure the reduced rate of US withholding tax under the Convention. Under the proposed regulations, any shareholder claiming UK residence would be required to file IRS Form 1001 in which, among other things, he would certify residence in the UK. In addition, any shareholder claiming UK residence would, except as discussed below, be required to file a Certificate of Residence on IRS Form 8306 in which, among other things, the UK Competent Authority (which is the Inland Revenue) would certify the shareholder's UK residence. In the case of a shareholder who is not a citizen or resident of the US, a Certificate of Residence would generally not be required to be filed if payments by the Company (or any other withholding agent) do not exceed, or are not expected to exceed, in the aggregate, $50 per calendar quarter. If the proposed regulations became final and the required filings were not made, the Company (or any other withholding agent) would be required to withhold US tax at the full statutory rate of 30 per cent. applicable to persons who are not entitled to the benefits of any income tax convention to which the US is a party. The proposed regulations would take effect with respect to dividends paid more than 120 days after the date the regulations are adopted, unless the US and UK Competent *Authorities agree to alternative interim* procedures for establishing proof of UK residence.

A UK resident shareholder of the Company generally will not be subject to US Federal income tax with respect to capital gains realised on the sale or exchange of shares, unless such shareholder is an individual present in the US for 183 days or more during the tax year in which the sale or exchange occurs and such capital gains constitute US source income (e.g., if the sale occurs in the US). In such circumstances, net capital gains will be subject to US federal income tax at the rate of 30 per cent.

The foregoing summary of US federal income tax consequences assumes that the shareholder: (i) is not engaged in the conduct of a trade or business in the US, (ii) does not carry on business in the US through a permanent establishment, (iii) in the case of an individual, is not a citizen or resident of the US, and (iv) in the case of a corporation, is not created or organised under the laws of the US, any State thereof or the District of Columbia. In cases where these assumptions do not apply, US federal income tax consequences may change, and a US tax adviser should be consulted.

By virtue of the Estate and Gift Tax Convention between the US and UK, the estate of a shareholder domiciled in the UK generally will not be subject to US federal estate tax with respect to the shares, provided that the shares do not form part of the business property of a permanent establishment in the US and do not pertain to a fixed base in the US used for the performance of independent personal services.

The foregoing is provided for information purposes only and is not intended to be a definitive discussion of all potential US federal income and estate tax consequences with respect to the shares. In addition, no information is provided herein with respect to State or local tax treatment of the shares or with respect to the tax treatment of shareholders who are not resident or domiciled in the UK.

8. UK and US Registers

The Company will maintain two registers for its shares, one of which ("the US Register") will be maintained by the Company in Charlotte, North Carolina and the other ("the UK Register") will be maintained by National Westminster Bank PLC, Registrar's Department, in Bristol.

The shares now being offered for sale will initially be entered on the US Register, but will, prior to the despatch of certificates in respect thereof to the persons entitled thereto under the Offer for Sale, (and without further action on the part of such persons) *be transferred to the UK Register*. All other shares currently in issue and all shares subsequently issued to North American Persons will initially be registered on the US Register. Shares initially registered on the US Register will be subject to the restrictions on transfer currently applicable to such shares. Shares registered on or transferred to the UK Register will, on and before 30th June, 1985, be subject to the restrictions on transfer to North American Persons as defined and referred to in paragraph 9 below.

A holder of shares registered on the US Register may transfer such shares to the UK Register (but shares may not be transferred from the UK Register to the US Register) by delivering to the Company, or to any registrar appointed by the Company for this purpose, duly endorsed share certificates together with a transfer request containing a certification of the holder to the effect that the transfer is not for the purpose of offer, sale or transfer of such shares in North America or to or for the benefit of any North American Person. Upon delivery of the share certificate and such certification, the Company, or any registrar appointed by the Company for this purpose, will cause the shares to be transferred to the UK Register and a new share certificate to be issued with respect to the transferred shares containing a legend indicating the restrictions, if any, then applicable to shares registered on the UK Register. Any shares evidenced by the share certificate so delivered but not requested to be transferred to the UK Register will continue to be registered on the US Register, and the Company, or any registrar appointed by the Company for this purpose, will issue a share certificate to evidence such shares containing a legend indicating the restrictions, if any, applicable to the share certificate so delivered.

No UK stamp duty is attracted by the arrangements referred to above in respect of the transfer of shares from the US Register to the UK Register. Transfers after 3 p.m. on 24th January, 1985, the last date for registration of renunciations of Letters of Acceptance in respect of the shares now being offered for sale, and of any other shares registered on the UK Register, will be subject to UK stamp duty. Shares registered on the UK Register will be transferred by instrument of transfer in the usual form.

9. Transfers and securities laws

(a) The shares now being offered for sale have not been registered under the Securities Act of 1933, as amended, of the US. Accordingly, such shares may not be offered, sold, renounced or transferred directly or indirectly in the US, its territories and possessions ("United States") or Canada (collectively "North America") or to or for the benefit of any person who is a national or resident thereof, the estate of any such person, or any corporation or other entity created or organised in or under the laws of the United States or Canada or any political subdivision thereof (collectively "North American Persons") or to any person purchasing such shares for reoffer, resale, renunciation or transfer in North America or to or for the benefit of any North American Person as part of the distribution of such shares. No holder of such shares may, under any circumstances, as principal or agent, offer, sell, renounce or transfer such shares in North America or to or for the benefit of any North American Person at any time on or before 30th June, 1985.

(b) In order to give effect to the foregoing restrictions:—

(i) the certificates representing the shares will be endorsed with a legend substantially similar in form and content to sub-paragraph (a) above;

(ii) applications for the shares hereby offered, for registration of renounced Letters of Acceptance, and for transfers or exchanges of such shares at any time on or before 30th June, 1985, will all be subject to receipt of a declaration by or on behalf of the prospective holder to the following effect —

"(1) I am/We are not a person who is a national or resident of the United States of America or any of its territories or possessions ("United States"), or Canada (collectively "North America") or the estate of any such person or a corporation or other entity created or organised in or under the laws of the United States or Canada or any political subdivision thereof ("North American Person").

(2) I am/We are not acquiring any shares for the account of any North American Person *or with a view to their offer, sale, renunciation or transfer directly or indirectly in North* America or to or for the benefit of any North American Person.

(3) I/We understand that the shares referred to above have not been registered under the Securities Act of 1933, as amended, of the United States, and may not be offered, sold, renounced or transferred directly or indirectly in North America or to or for the benefit of any North American Person at any time on or before 30th June, 1985", and

(iii) the Company and its UK Registrar shall comply with any request to record the transfer or effect the reissuance of any shares provided that on or before 30th June, 1985 any such request is accompanied by a declaration signed by the proposed transferee to the effect of (b)(ii) above and to the effect that the proposed transferee consents to the affixing or imprinting on the certificate(s) representing the shares to be transferred of a legend substantially similar in form and content to (a) above.

(c) At any time after 30th June, 1985, the Company will, upon presentation to the UK Registrar of an endorsed certificate representing any shares hereby offered or any other shares registered on the UK Register, issue a new share certificate bearing no reference to the restrictions set out in (a) above.

10. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into within the two years immediately preceding the date of this document by the Company and are or may be material.—

(a) an agreement dated 18th April, 1983 with Mr. C. N. Marsland pursuant to which the Company was granted for a period of 12 years (with an option to extend for a further 12 years) a licence to use the communication concept therein mentioned relating to the load management system, in return for the payment of a royalty;

(b) the Stock Option agreements referred to in paragraph 4(d) above;

(c) an agreement dated 20th June, 1984 between the Company, the then Directors and de Zoete & Bevan under which de Zoete & Bevan agreed for a fee of £33,000 to use its best endeavours to procure *subscribers for 5,250,000 shares at a price of $0.75 per share;*

(d) an agreement dated 2nd July, 1984 pursuant to which the Company acquired from ASC Associates the freehold site at Arrowpine Block, Charlotte referred to in paragraph 6 above for a total consideration $573,280;

(e) an agreement dated 1st September, 1984 between the Mecklenburg County Industrial Facilities and Pollution Control Financing Authority ("the Authority") and the Company pursuant to which the Authority has lent to the Company the principal sum of $5,000,000 (being the proceeds of an Industrial Revenue Bond issued by the Authority) to finance the acquisition and development of the Company's new premises at Arrowpine Block and a guarantee dated 1st September, 1984 given by the Company of the payment by the Authority to First Union National Bank, Charlotte, as trustee for the bondholders, of principal and interest on the bond;

(f) a facility letter dated 21st September, 1984 from First Union National Bank, Charlotte, confirming to the Company the Bank's commitment to purchase an Industrial Revenue Bond proposed (but not yet committed) to be issued by the appropriate bond authority in a sum not exceeding $2,300,000 to finance the purchase of the proposed new research and development facility in Research Triangle Park, North Carolina;

(g) a letter dated 29th October, 1984 from the Company to Research Triangle Foundation of North Carolina ("the Foundation") whereby the Company acquired for a consideration of $72,000 the option for one year to purchase from the Foundation a freehold site of some 16 acres in Research Triangle Park at a price of $45,000 per acre for the new research and development facility referred to in sub-paragraph (f) above;

(h) a facility letter dated 23rd November, 1984 from First Union National Bank, Charlotte to the Company confirming the availability to the Company of an unsecured line of credit for a sum not exceeding $5,000,000 for temporary working capital purposes; and

(i) the Offer for Sale agreement referred to in paragraph 5 above.

11. Working capital

The *Directors are of the opinion that, taking account of available bank and other facilities and the* proceeds of the issue and sale of the new shares receivable by the Company, the Company will have sufficient working capital for its present requirements.

12. General

(a) Price Waterhouse, Charlotte, North Carolina and Price Waterhouse, London have each given and have not withdrawn their written consents to the issue of this document with the inclusion of their report and the references thereto (and, in the case of Price Waterhouse, London their letter concerning the profit forecast and the references thereto) in the form and context in which they are included.

(b) J. Henry Schroder Wagg & Co. Limited has given and not withdrawn its written consent to the issue of this document with the inclusion herein of its letter concerning the profit forecast and its name in the form and context in which they are included.

(c) The documents attached to the copies of this document delivered to the Registrar of Companies for registration are:

(i) the written consents referred to in (a) and (b) above;

(ii) copies of the service contracts and material contracts referred to in paragraphs 4 and 10 above; and

(iii) copies of the Application Form and the Preferential Application Form.

(d) In respect of each application made in connection with this document, all persons concerned shall be bound by the provisions of sections 50 and 51 of the Companies Act 1948 (other than penal provisions) so far as applicable.

(e) The Company is not aware of any litigation or claims of material importance pending or threatened against it which are or may be material in relation to the business of the Company.

(f) The Company has no subsidiaries.

(g) Save in respect of the appointment of a UK Registrar, the Company has not established and does not intend to establish a place of business in the UK.

(h) A certificate of exemption has been granted by The Council of The Stock Exchange pursuant to section 418 of the Companies Act 1948.

(i) The expenses of the Offer for Sale including amounts payable to J. Henry Schroder Wagg & Co. Limited pursuant to the Offer for Sale agreement referred to in paragraph 5 above are estimated to amount to £780,000 and are payable as to £603,360 by the Company and £176,640 by the vendors.

(j) The minimum amount which, in the opinion of the Directors of the Company, must be raised by the issue and sale of the new shares is £5.9 million which, in relation to each of the below specified sub-paragraphs of paragraph 4(a) of Part I of the Fourth Schedule to the Companies Act 1948 as regards the matters therein specified, is made up as follows:—

(i) purchase price of property: nil

(ii) preliminary expenses and commissions payable in relation to the Offer for Sale: £0.6 million

(iii) repayment of moneys borrowed for preliminary expenses: nil

(iv) working capital: £5.3 million.

The above amounts are to be provided exclusively out of the proceeds of the issue and sale of the new shares. As the Offer for Sale is underwritten, the receipt of the minimum amount is assured.

13. Documents available for inspection

Copies of the following documents may be inspected at the offices of Stephenson Harwood, Saddlers' Hall, Gutter Lane, Cheapside, London EC2V 6BS during normal business hours on any weekday (Saturdays and public holidays excepted) for a period of 14 days following the date hereof.—

(a) the Articles of Incorporation and the By-Laws of the Company;

(b) the Business Corporation Code of the State of Georgia;

(c) the audited financial statements of the Company for the two years ended 30th June, 1984;

(d) the service contracts and material contracts referred to in paragraphs 4 and 10 above;

(e) the report of Price Waterhouse, Charlotte, North Carolina and Price Waterhouse, London set out in Appendix I;

(f) *the letters from Price Waterhouse, London and J. Henry Schroder Wagg & Co. Limited set* out in Appendix II concerning the profit forecast for the year ending 30th June, 1985; and

(g) the written consents referred to above.

Dated: 7th December, 1984

PROCEDURE FOR APPLICATION

1. The shares of the Company hereby offered have not been registered under the Securities Act of 1933, as amended, of the US. Attention is drawn to the declaration in the Application Form in respect of North American sales restrictions. No application will be accepted from any person who is unable to make this declaration or who gives an address in North America.

2. Applications (other than those on the Preferential Application Forms mentioned below) must be for a **minimum of 100 shares** and thereafter for the following multiples of shares:

Applications	In multiples of
for up to 1,000 shares	100 shares
for up to 5,000 shares	500 shares
for up to 10,000 shares	1,000 shares
for up to 50,000 shares	5,000 shares
for over 50,000 shares	10,000 shares

3. **Applications must be made on the Application Form set out on this page (or on the Preferential Application Form mentioned below) and forwarded to National Westminster Bank PLC, New Issues Department, P.O. Box 79, 2 Princes Street, London EC2P 2BD together with a sterling cheque or bankers' draft for the full amount payable on application so as to be received not later than 10 a.m. on 13th December, 1984. Photocopies of Application Forms will not be accepted.**

4. Preferential consideration will be given to applications on Preferential Application Forms received from existing shareholders of the Company, other than any such shareholders who are North American Persons, for an aggregate maximum of 1,600,000 shares (10 per cent. of the shares now being offered for sale). In the event of excess applications being received from such shareholders, the basis of allocation will be determined having regard to their proportionate interests in the Company. Completion of a Preferential Application Form does not preclude such shareholders from also completing a public Application Form.

5. Each application must be accompanied by a separate sterling cheque or bankers' draft. Cheques or bankers' drafts must be drawn on a branch in the UK, the Channel Islands or the Isle of Man of a bank which is either a member of the London or Scottish Clearing Houses Association or which has arranged for its cheques and bankers' drafts to be cleared through the facilities provided by the members of those Clearing Houses and must bear the appropriate sorting code number in the top right hand corner. Cheques and bankers' drafts must be made payable to National Westminster Bank PLC, be crossed "Not Negotiable Process Systems Shares" and must represent payment in full at the application price. The right is reserved to present all cheques and bankers' drafts for payment on receipt and to retain Letters of Acceptance and surplus application moneys pending clearance of the cheques of successful applicants. The right is also reserved to reject any application in whole or in part, and in particular, multiple or suspected multiple applications.

6. Due completion and delivery of an Application Form or a Preferential Application Form accompanied by a cheque or bankers' draft will constitute a warranty that such cheque or bankers' draft will be honoured on its first presentation; attention is drawn to the declaration in the Application Form to that effect. Applications will be irrevocable until 17th December, 1984 and may only be revoked after that date to the extent that they have not been accepted prior to receipt of notice of revocation.

7. By completing and delivering an Application Form or a Preferential Application Form each applicant will be confirming that they are not relying on any information or representation in relation to the Company other than those contained herein and accordingly they will be agreeing that no person responsible for this document shall have any liability for any such information or representation.

8. Formal acceptance of applications which have been selected for acceptance will be effected by announcement of the basis of allocation to The Stock Exchange, and will be subject to the conditions stated above. Acceptance will also be conditional on the Council of The Stock Exchange admitting the whole of the issued share capital of the Company to the Official List not later than 19th December, 1984 (subject only to posting of Letters of Acceptance). Moneys received in respect of applications will be returned if such condition is not satisfied by that date and, in the meantime, will be retained by National Westminster Bank PLC in a separate account. If any application is not accepted or is accepted for fewer shares than the number applied for, the application moneys or, as the case may be, the balance thereof will be returned to applicants. No interest will be paid on any moneys returnable to applicants, which will be sent through the post at the risk of the applicants concerned. It is expected that Letters of Acceptance will be posted to successful applicants on 19th December, 1984 and that dealings in the shares will commence on 20th December, 1984.

9. Arrangements have been made for the shares now being offered for sale to be registered by the Company free of stamp duty in the names of the successful applicants or the persons in whose favour Letters of Acceptance have been renounced provided that, in cases of renunciation, Letters of Acceptance (duly completed in accordance with the instructions contained therein) are lodged for registration not later than 3 p.m. on 24th January, 1985. Share certificates are expected to be posted on 21st February, 1985.

Copies of this document with Application Forms may be obtained from:—

J. Henry Schroder Wagg & Co. Limited, 120 Cheapside, London EC2V 6DS.

de Zoete & Bevan, 25 Finsbury Circus, London EC2M 7EE.

and from the following branches of National Westminster Bank PLC:—

New Issues Department, 2 Princes Street, London EC2P 2BD.

80 George Street, Edinburgh EH2 3DZ.

APPLICATION FORM

The Application Lists for the shares now being offered for sale will open at 10 a.m. on Thursday, 13th December, 1984 and may be closed at any time thereafter

Process Systems, Inc.

(Incorporated with limited liability under the laws of the State of Georgia, United States of America)

OFFER FOR SALE
by
J. HENRY SCHRODER WAGG & CO. LIMITED
of
16,000,000 shares of common stock of par value US$0.025 each at 92p per share, payable in full on application

Applications must be for a minimum of 100 shares and thereafter for the following multiples of shares -

Applications	In multiples of
for up to 1,000 shares	100 shares
for up to 5,000 shares	500 shares
for up to 10,000 shares	1,000 shares
for up to 50,000 shares	5,000 shares
for over 50,000 shares	10,000 shares

Number of shares applied for	Amount of cheque/bankers' draft enclosed
	£

UNLESS THE ABOVE BOX IS PROPERLY COMPLETED THIS APPLICATION MAY BE TREATED AS INVALID.

To J. Henry Schroder Wagg & Co. Limited

Gentlemen,

I/We enclose a sterling cheque or bankers' draft payable to "National Westminster Bank PLC" and crossed "Not Negotiable Process Systems Shares" for the above mentioned sum, being the amount payable on application for the stated number of shares of common stock of par value US$0.025 each of Process Systems, Inc. ("the Company") at 92p per share. I/We offer to purchase that number of shares and I/we agree to accept the same or any smaller number of shares in respect of which this application may be accepted upon the terms set out in the Offer for Sale dated 7th December, 1984 and subject to the Articles of Incorporation and By-Laws of the Company. I/We hereby authorise and request you to send to me/us a fully paid renounceable Letter of Acceptance for the number of shares in respect of which this application is accepted and/or a cheque for any moneys returnable, by post at my/our risk to the first address given below. I/We hereby authorise you to procure my/our name(s) to be placed (as referred to in the Offer for Sale) on the register of the Company as the holder(s) of the shares so purchased by me/us the right to which has not been effectively renounced.

I/We declare that due completion and delivery of this Application Form, accompanied by a cheque or bankers' draft, constitutes a warranty that the cheque or bankers' draft will be honoured on first presentation. I/We acknowledge that any Letter of Acceptance and any moneys returnable may be held pending clearance of all applicants' cheques and bankers' drafts.

I/We hereby declare, represent and warrant that (i) I am/we are not a person who is a national or resident of the United States of America or any of its territories or possessions ("United States") or Canada (collectively "North America") or the estate of any such person or a corporation or other entity created or organised in or under the laws of the United States or Canada or any political subdivision thereof ("North American Person"), (ii) I am/we are not acquiring any shares referred to above for the account of any North American Person or with a view to their offer, sale, renunciation or transfer directly or indirectly in North America or to or for the benefit of any North American Person, and (iii) I/we understand that the shares referred to above have not been registered under the Securities Act of 1933, as amended, of the United States, and may not be offered, sold, renounced or transferred directly or indirectly in North America or to or for the benefit of any North American Person at any time on or before 30th June 1985.

Signature .... Dated 1984

FOR OFFICE USE ONLY

1 Acceptance No.

2 Shares accepted

3 Amount received £

4 Amount payable £

5 Amount returned £

6 Cheque No.

PLEASE USE BLOCK CAPITALS

Forename(s) in full ....

Surname and designation (Mr., Mrs., Miss or title) ....

Address (in full) ....

.... Post Code ....

ALL JOINT APPLICANTS MUST SIGN AND GIVE NAMES AND ADDRESSES BELOW. The signature on behalf of a corporation should be that of a duly authorised official who should state his representative capacity.

If this form is signed by an attorney, the power of attorney or a duly certified copy thereof must accompany this form.

No receipt will be issued for the payment on application but an acknowledgement will be forwarded in due course through the post, at the risk of the applicant(s), by a fully paid renounceable Letter of Acceptance and/or a remittance for any application moneys returnable.

PLEASE PIN CHEQUE/DRAFT HERE

2 *Signature* ....
Forename(s) (in full) ....
Surname and designation (Mr., Mrs., Miss or title) ....
Address (in full) ....
.... Post Code ....

3 *Signature* ....
Forename(s) (in full) ....
Surname and designation (Mr., Mrs., Miss or title) ....
Address (in full) ....
.... Post Code ....

4 *Signature* ....
Forename(s) (in full) ....
Surname and designation (Mr., Mrs., Miss or title) ....
Address (in full) ....
.... Post Code ....

INSTRUCTIONS

This form, duly completed, together with a cheque or bankers' draft, drawn in sterling on a branch in the United Kingdom, the Channel Islands or the Isle of Man, of a bank which is either a member of the London or Scottish Clearing Houses Association or which has arranged for its cheques and bankers drafts to be cleared through the facilities provided by the members of those Clearing Houses and which must bear the appropriate sorting code number in the top right hand corner, made payable to "National Westminster Bank PLC" and crossed "Not Negotiable Process Systems Shares" representing payment in full at the application price should be lodged with National Westminster Bank PLC, New Issues Department, PO Box 79, 2 Princes Street, London EC2P 2BD, no later than 10 a.m. on Thursday, 13th December 1984. A separate cheque/bankers' draft must accompany each application. An application may be treated as invalid unless these conditions are fulfilled. All cheques/bankers drafts are liable to be presented for payment on receipt. Photocopies of Application Forms will not be accepted. Applicants by post are advised to use first class post and to allow at least two days for delivery.

Process Systems gains listing and raises £14m

BY WILLIAM DAWKINS

Process Systems, a U.S. supplier of microelectroic and recording equipment for the electricity supply industry, today publishes details of its offer for sale on the London stock market.

Merchant bankers J. Henry Schroder Wagg have underwritten the group's offer of 16m shares, 29.8 per cent of the enlarged equity at 29p each. Process Systems is capitalised at £49.4m and is raising £13.94m after expenses, including £5.3m of new money.

The North Carolina-based group makes solid state recorders which log the quantity and time of use of individual customers' electricity consumption. Data can be retrieved by the utilities via telephone or hand-held microcomputers, also made by the group.

Process Systems estimates that it has a 60 per cent share of the U.S. solid state recorder market, but that only 8 per cent of a potential market worth $200m (£167m) has been satisfied to date. Th eoffer for sale cash will be used to develop two new products; a time of use meter, which will be able to record the use of electricity during pre-set periods, and a load management system, which enables utilities to automatically disconnect non-essential appliances with customers' agreement.

The basic recorders are designed to replace less efficient electro-mechanical devices. They help utilities to measure peaks and troughs of demand and gather statistics to determine rate levels, all of which have to be authorised in the U.S. by politically public service commissions.

Net income is forecast to rise from $1.5m to £2.9m in the year to next June. Profits will have grown at an annual compound rate of more than 100 per cent in the five years to 1985 if the forecast is met. The prospective earnings multiple at current exchange rates is 19.8. Process System wishes to retain most of its earnings to fund research and development, which accounts for 11 per cent of turnover, as well as expansion. It is therefore forecasting a 0.2 per cent yield.

The group says its decision to seek a listing in London rather than the U.S. "reflects the directors preference to avoid the significant time and expense associated with being a listed company in the U.S. at this stage in the company's development."

Applications open on Thursday, and dealings are expected to start exactly a week later. De Zoete and Bevan are stockholders to the issue.

● **comment**

As a fast growing group with an apparent technological lead in the U.S. energy management and conservation business, Process Sytems looks well worth the 19.8 earnings multiple which its advisers have set for it. It has only scratched the surface of a large but under-developed market, and so long as U.S. utilities (which, unlike British ones, are mostly private sector owned) need to gather accurate statistics to justify rate increases to the public commissions which regulate them, the demand for solid state recorders should grow. Moreover, an active environmental lobby points to a ready market for the energy management systems now under development as conventional power stations seek to use their output more efficiently and defer the need for nuclear plant. The only provisos are that the potential strength of the competition which is beginning to emerge is unknown, as is the U.S. directors' ability to handle UK shareholders when the company has no British presence beyond a London listing.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Baker Perkins, Blyvooruitzicht Gold Mining, N. Brown Investments, A. Cohen, Crown House, London and Overseas Freighters, Marling Industries, Norcros Norton Opax, Alfred Preedy, Property Holding and Investment Trust, Sheraton Securities, Triplex, Warehouse, Whitecroft.

Finals:—City Site Estates, Dobson Park Industries, Dubilier, Durban Roodepoort Deep, East Rand Proprietary Mines, Greenall Whitley, LPA Industries.

FUTURE DATES

Interims:—	
Associated British Foods	Dec 11
Batleys of Yorkshire	Dec 20
Braithwaite Engineers	Dec 12
British Electric Traction	Dec 20
Cluff Oil	Dec 13
Helical Bar	Dec 12
Marston Thompson & Evershed	Dec 19
Syltone	Dec 19
Stoddard	Dec 13
Tex Abrasives	Dec 14
UKO International	Dec 12
Wassall (J. W.)	Dec 14
Finals:—	
Crystalate	Dec 19
Grand Metropolitan	Dec 20
Trident Television	Dec 18
Union Discount	Jan 20
Watson and Philip	Dec 18

Alva cuts interim

The continuing change in the structure of Alva Investment Trust's portfolio towards capital growth has resulted in the expected drop in available income and for the half year ended August 31, 1984, this is down from £81,000 to £28,000.

The interim dividend is cut from 3.5p to 1.6p, and it is likely that a further reduction will be paid in 1983-84).

Exco seeks moneybroking deal with Laurie, Milbank

EXCO INTERNATIONAL, the money broker and financial services group, is in talks with stockbroker, Laurie, Milbank in an attempt to buy out the stockbroker's money broking interests.

A meeting is taking place today between Exco executives and Laurie, Milbank in an effort to clinch the deal, which could involve Exco paying nearly £10m

If Exco is successful in its attempts it will be acquiring the largest money broking operation owned by a stockbroking firm. Laurie, Milbank is reckoned to have a more than 50 per cent market share among the half a dozen stockbroking firms which have interests in money broking.

Highland Distilleries

Further Growth from "The Famous Grouse"

For the year ended 31st August 1984, turnover increased by 8.6% to £92,209,000 and profit before tax rose 17.4% to £8,272,000.

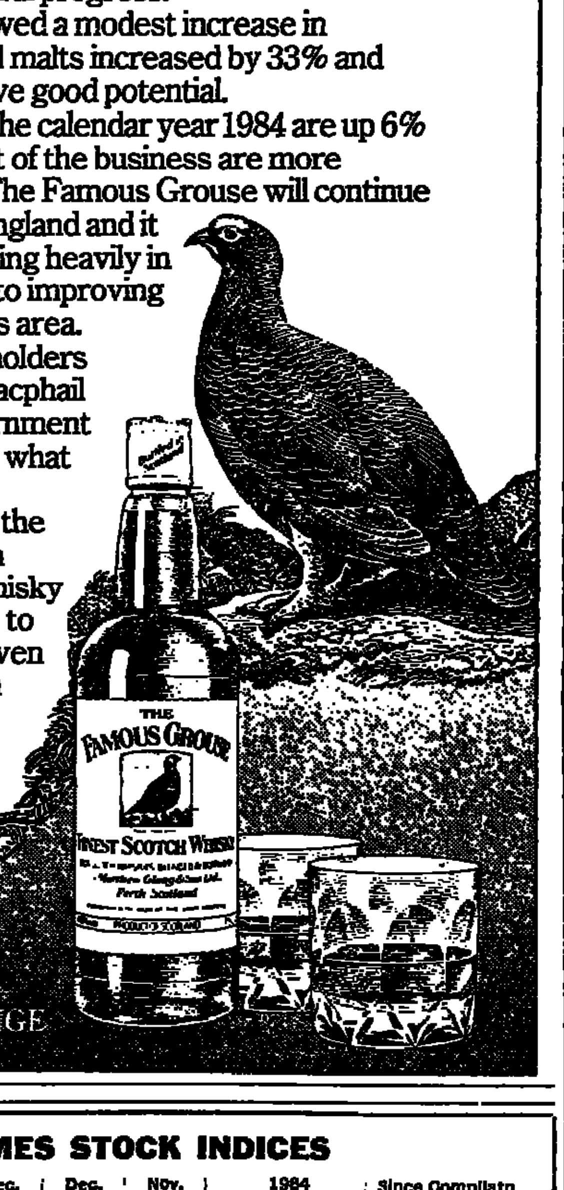
Sales of The Famous Grouse increased by 24% in England and the brand maintained its premier position in Scotland. In export markets volume increased by 23% without any one market dominating the general progress.

Mature whisky sales showed a modest increase in flat markets. Sales of bottled malts increased by 33% and this area is considered to have good potential.

Orders for new fillings in the calendar year 1984 are up 6% and prospects for this aspect of the business are more hopeful. It is expected that The Famous Grouse will continue to develop its presence in England and it is planned to continue investing heavily in export markets with a view to improving the company's position in this area.

In his statement to shareholders the Chairman Mr. J. A. R. Macphail strongly criticised the Government for imposing on the Industry what in essence is a tax on quality.

This has arisen as a result of the abolition of stock relief which means that the longer the whisky is matured, the more tax has to be paid, as no allowance is given for inflation. Thus the Scotch Whisky Industry will be suffering higher rates of tax than other industries.



QUALITY IN AN AGE OF CHANGE

FINANCIAL TIMES STOCK INDICES

	Dec. 7	Dec. 6	Dec. 5	Dec. 4	Dec. 3	Nov. 30	1984 High	1984 Low	Since Compilatn High	Since Compilatn Low
Government Secs.	83.27	83.84	83.66	83.58	83.19	83.00	83.77	75.72	127.4	49.18
Fixed Interest	86.33	86.38	86.41	86.37	86.11	86.11	87.48	80.43	150.4	50.53
Ordinary	923.0	908.4	914.9	917.6	924.9	917.3	929.2	755.3	929.2	49.4
Gold Mines	547.5	547.3	555.8	566.7	550.6	554.5	711.7	485.7	734.7	43.5
FT Act.All.Share	569.86	546.55	567.87	568.82	571.94	560.26	569.86	464.84	596.86	61.92
FT-SE100	1190.1	1175.8	1182.9	1183.8	1191.7	1181.5	1190.1	986.9	1190.1	986.9

Alpine Soft Drinks back with profits of £102,000

SOME RECOVERY, to profits of £102,000, has been made by Alpine Soft Drinks in the six months ended September 20 1984 and. "in view of the continuing strong cash position and after careful consideration" the interim dividend is being held at 0.6p net per share.

In the comparable half year of 1983-84 the company incurred a less of £203,000, and the interim dividend was cut from 1.206p to 0.6p; by the end of the year the loss had run up to £799,000 and the directors shaded the final payment to 1.2pfi from £1.206p.

The directors report that the volume recovery shown earlier in the year has continued, but the policy of reduced margins to induce further volume recovery has prevented the company from moving nearer to the previous level of profitability.

Sales were £8.13m (£9.12m) in the half year; Alpine sell direct to customers in their homes. Further development efforts are required in the last quarter of the financial year in order to improve the growth in sales volume per round, the directors stress.

Tax for the half year is estimated at £39,000 (nil), to leave earnings per share at 0.61p (loss 1.97p).

Sale Tilney stake in Swiss fund manager

Sale Tilney, a small holding company with activities ranging from financial services to making light bulbs, is taking a significant investment in a Swiss fud management compay, with an option to gain control within the next year.

Sales is payig SwFr 1.365m (£444,625) in cash for a 25 per cent stake in FINAD AG. The option is to purchase a further 26 per cent at a cost of SwFr 1.56m (£508,143), also to be paid in cash.

FINAD, which is based in Zurich, has funds under management equivalent to £54m. Net tangible assets as at March 31, 1984 amouted to £338,436.

The present management of the Swiss company will continue to ru the compay and their board will be chaired by Mr R. King, Sales' chairman, and Mr C. Innes, the finance director.

FT Share Information

The following securities have been added to the Share Information Service.

Bristol Channel Ship Repairers (Section: Engineering).

Chevron Corporation (Oil and Gas).

Lincoln Natl. Corp. (Insurance).

Media Technology Intnl. (Leisure).

NZI Corporation (Insurance).

PHH Group (Americans).

Plasmec (Electricals).

Priest (B.) 8pcCum. Cnv. Red. Pref. (Engineering).

Scott Paper (Paper, Printing and Advertising).

NOTICE

Sanyo Electric Co., Ltd.

Re: U.S. Dollars 50,000,000 5% Convertible Bonds due 1996 and adjustment of conversion price to be made as a result of the issue of new shares of common stock for free distribution.

As required by Clause 7 of the Trust Deed dated September 24, 1981 constituting the convertible Bonds, notice is hereby given that with respect to the issue of new shares for free distribution resolved upon at the meeting of the Board of Directors held on October 31, 1984, the shareholders appearing on the register of the Company as at 3:00 PM on November 30 (Friday), 1984 (Japan Time) (the Record Date) have been allocated (1) new share issued on January 1, 1985 for each ten (10) shares owned, and as a result of such issue of new shares for free distribution the following adjustment of the conversion price has been made pursuant to Condition 5(c) of the Terms and Conditions of the Bonds:

1. Conversion price before adjustment: Yen 652
2. Conversion price after adjustment: Yen 592.7
3. Effective date of the adjustment (Tokyo time): December 1, 1984

Sanyo Electric Co., Ltd.

December 10, 1984

U.S. $30,000,000

THE KOREA DEVELOPMENT BANK

(Incorporated in the Republic of Korea under The Korea Development Bank Act of 1953)

Floating Rate Notes Due 1989

Notice is hereby given that the interest amount payable on 5th June, 1985 is U.S. $50.56 for each Note of U.S. $1,000 and not as previously advised.

Credit Suisse First Boston Limited Agent Bank

LADBROKE INDEX
Based on FT Index
915-919 (+5)
Tel: 01-427 4411

Candover strengthens place as leading buy-out organiser

BY STEFAN WAGSTYL

THE latest company to be listed on the Stock Exchange is Candover Investments, a managemet buy-out finance specialist formed i 1980.

Stockbroker Cazenove and Co. is placing 25 per cent of the equity—1.788m shares—at a price of 160p a share, against stated net asset value of 166p a share.

The market capitalisation will be £11.45m compared with a total net asset value of £12.2m, consisting largely of the company's stakes in 41 listed and unlisted compaies i the UK and in the U.S.

All the shares are beig placed on behalf of existing shareholders—who are the management led by chief executive Mr Roger Brooke and its institutional backers.

Candover says a listing will strengthen its position as the UK's leading orgaiser of managemet buy-outs and will also win the advantages of investment trust tax status.

Candover's net assets have risen rapidly from £2.1m at its formation, mainly as a result of the appreciation of its investments.

The company is forecasting a net dividend for the year to the end of December of 1.4p, giving a gross yield of 1.25 per cent.

● **comment**

Candover Investments gives investors a rare chance to share in one o fthe more fashioable kinds of corporate activity—management buy-outs. Moreover, it is a company which has established a pretty good track record in the tricky task of picking winners among small and medium-sized compaies. Its performance seems to support the theory that management buy-outs are particularly sound investments because of the direct involvement of the management in the success of the busiess. But, both Candover and companies it has supported have so far operated in the especially favourable conditions of economic recovery and a bull market. They have yet to be put to the test inadverse conditions when the relatively high levels od debt typcila of buy-outs may squeeze profits hard. However, Candover could well be protected against the worst by the widely-spread portfolio it has built up on both sides of the Atlantic. The discount against net assets might seem small at under 4 per cent aginst an investmet trust average of 24 per cet. But this would look cheap if one or two of Candover's unlisted charges came to the market, notably Famous Names. In any case, there is a premium to be paid for the close attention Candover has to pay to its portfolio.

Jonas Woodhead sees 'no vigorous signs of recovery'

A FURTHER phase of plant closures and redundancies has been actioned by the directors of **Jonas Woodhead & Sons**, vehicle suspension specialist. They are reviewing all activities, and priority is being centred on cash conservation and realisation of unused assets.

Chairman Mr Ernest Simpson does not see "any vigorous signs of a recovery in our sector." As there is excess manufacturing capcity on the European scene, with continuing pressures on product pricing, it will be difficult for Woodhead to move to a higher plateau.

A drop of 6 per cent to £30.33m in turnover is largely responsible for a first half loss of £325,000 now being reported. There was a significant shortfall in budgeted sales of shock absorbers and leaf spring replacements were below expectations. Other manufacturing operations, particularly springs and forgings, performed generally in line with forecast.

The loss was struck after interest payable of £670,000. In the comparable period the company was just in profit with £26,000 after interest of £619,000, and pushed that up to £662,000—by the year ended March 31 1984.

There is a tax charge of £65,000 and an extraordinary debit of £85,000, to give a net loss of £475,000. The per share loss is shown at 2.7p (earnings 0.1p).

Australian mines face tough year

The Australian mining industry is facing its fourth successive tough year, according to the annual survey made by the Australian Mining Industry Council (AMIC). Investment by the 150 mining and smelting companies surveyed is expected to fall by a further 11.2 per cent to A$1.82bn (£1.3bn) in the current year to next June. It was A$3.42bn in 1982-83.

Mr Brian Loton, the AMIC president, said that although world economic recovery continued in the past fiscal year, hopes that the Australian mining industry would climb out of recession were dashed by rising interest rates and low prices for most metals and minerals.

It was the third consecutive year of returns on investment of less than 5 per cent. He added that so far in the current fiscal year there was little evidence to suggest that there would be a substantial improvement. Still, he believed that the industry had learned to be leaner, had become more competitive and would be stronger as a result when markets picked up.

James Grant

An advance in profits from £408,000 to £745,000 in the nine months ended Ocotber 1984 is reported by James Grant (East), the property investment comapny with ancillary interests in commodity trading, commercial and retail furnishing, and a travel agency.

Clerical Medical

15 St. James's Square, SW1Y 4LQ 01-930 5474...

Executive Investment Pension Plan

	Bid	Offer	Change
Cash Fund	113.6	119.6	+0.3
Mixed Fund	139.4	146.8	+1.0
Fixed Interest Fund	121.4	127.8	+1.0
UK Equity Fund	152.6	160.7	+1.9
Property Fund	112.8	118.8	+1.4
Overseas Fund	139.8	147.2	−2.9
Index Linked Fund	101.7	107.1	+1.1
Stock Exchange Fund	112.6	118.6	+0.8
North American Fund	93.8	98.8	−2.9
Far East Fund	98.9	104.2	+0.5
Special Situations Fund	96.8	101.9	+1.7

Prices December 5 Unit dealings on Wednesday

Clerical Medical Managed Funds Limited

	Bid	Offer	Change
Cash Fund	139.8	139.8	+0.3
Mixed Fund	202.2	207.3	+1.4
Fixed Interest Fund	190.2	193.1	+1.5
UK Equity Fund	223.2	229.9	+2.8
Property Fund	128.8	134.6	+1.6
Overseas Fund	207.2	217.6	−4.2
Index Linked Fund	115.3	117.0	+1.3
Stock Exchange Fund	116.1	119.0	+0.9

Prices December 5 Unit dealings on Wednesday
Initial unit prices available on request, telephone 0272 290566

Granville & Co. Limited

Member of The National Association of Security Dealers and Investment Managers

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

Over-the-Counter Market

1983-84 High	1983-84 Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
142	120	Ass. Brit. Ind. Ord.	137	—	6.6	4.8	7.6	9.0
158	117	Ass. Brit. Ind. CULS	147	—	10.0	6.8	—	—
78	52	Airsprung Group	52	—	6.4	12.3	5.7	6.9
42	21	Armitage & Rhodes	41	—	2.9	7.0	5.1	8.5
132	57	Bardon Hill	131xd	—	3.4	2.6	13.2	22.0
58	42	Bray Technologies	44	—	3.5	8.0	5.1	7.3
201	173	CCL Ordinary	173xd	− 2	12.0	6.9	—	—
152	117	CCL 11pc Conv. Pref.	118	—	15.7	13.3	—	—
800	100	Carborundum Ord.	800	—	5.7	0.7	—	—
84	84	Carborundum 7.5pc Pf.	84	—	10.7	12.8	—	—
249	92	Cindico Group	92	—	—	—	—	—
73	45	Deborah Services	67	—	6.5	9.7	6.4	10.3
240	75	Frank Horsell	240	—	—	—	9.6	12.6
206	75½	Frank Horsell Pr.Ord.87	206	—	9.6	4.6	8.3	10.8
69	25	Frederick Parker	27½	+ ½	4.3	15.6	—	—
48	32	George Blair	48	—	—	—	3.2	6.4
80	32	Ind. Precision Castings	32	—	2.7	8.4	6.8	9.5
218	200	Isis Group	200	—	15.0	7.5	7.9	14.4
134	61	Jackson Group	108	—	4.9	4.5	5.0	9.7
285	213	James Burrough	277xd	+ 2	13.7	4.9	9.8	9.8
93	83	James Burrough 9pc Pf.	93	—	12.9	13.9	—	—
74	71	John Howard & Co.	74	+ 2	6.0	8.8	7.6	10.7
147	100	Linguaphone Ord.	139	—	—	—	—	—
100	96	Linguaphone 10.5pc Pf.	98	—	15.0	15.8	—	—
550	275	Minihouse Holding NV	550	+ 2	3.8	0.7	39.8	43.3
176	31	Robert Jenkins	32	—	5.0	15.6	—	—
74	32	Scruttons "A"	32	− 1	5.7	17.8	18.8	3.9
120	61	Torday & Carlisle	87	—	—	—	9.3	19.8
444	370	Trevian Holdings	370	—	4.3	1.2	21.0	20.7
26	17	Unilock Holdings	25	—	1.3	5.2	12.1	17.5
92	65	Walter Alexander	88	—	7.5	8.5	6.7	10.6
276	228	W. S. Yeates	228	—	17.4	7.7	5.4	10.8

Prices and details of services now available on Prestel, page 48146

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross Yield	P.E. Ratio
††	F.P.	12/12	110	106	††AberdeenAmPet£1	106	−2	—	—	—	—
*160	F.P.	11/1	200	164	✱Access Satellite 5p	184	......	u2.0	2.5	1.5	30.1
§116	F.P.	9/11	187	156	✱Addison Comms. 5p	187	......	bg1.4	5.8	1.1	35.3
§140	F.P.	21/12	170	144	✱Alida	164	−2	bg6.6	1.9	5.7	13.1
§100	F.P.	23/11	113	102	✱Breakmate 10p	113	+1	bg2.5	3.0	3.2	14.8
130	50	—	97	88	British Telecom	92½	+4½	b5.5	2.0	5.4	12.4
††	F.P.	—	£18⅛	£18⅛	CSX Corp. US$1.00	£18⅛	......	$1.04	—	4.6	—
§105	F.P.	7/12	142	116	✱CVD Inc $0.01	137	−1	F$2.0	—	1.2	—
§115	F.P.	5/12	167	134	✱Craton Lodge 1p	166	......	bg1.75	3.6	1.5	27.2
§78	F.P.	14/12	99	86	✱Gabicci 5p	95	......	b2.8	2.5	4.2	11
¶¶	F.P.	—	31	24	✱Health Care S'rvic's	25	......	—	—	—	30.7
§145	F.P.	7/12	205	160	✱Instem 10p	190	−10	bg1.6	5.4	1.1	23.6
§85	F.P.	7/12	116	95	✱Klark-Teknik 5p	112	−5	u0.6	4.7	0.8	33.4
††	F.P.	—	£31¼	£30½	Lincoln Nat. Corp	£31¼	+1	$1.84	—	4.7	—
§117	F.P.	23/11	179	118	✱Media T'nology 20p	175	−1	ug2.68	3.9	2.1	17.3
¶¶	F.P.	11/1	32	27	✱Monument Oil 5p	27	......	—	—	—	—
140	F.P.	21/12	156	149	P.S.M. Int'l	156	......	bg 5.25	2.6	4.8	11.4
§70	F.P.	14/12	82	74	✱Plasmec 10p	75	......	bg3.0	1.4	5.7	9.5
§10	F.P.	16/11	11½	10	Second Market Inv.5p	11	......	—	—	—	—
§140	F.P.	10/12	200	184	✱Share Drug 10p	190	......	ud1.7	3.0	1.3	32.9
§110	F.P.	30/11	125	113	✱UDO Hldgs. 10p	124	−1	u3.75	2.0	4.3	16.9
132	F.P.	11/1	175	156	Wardle Storeys 10p	167	−1	u6.0	2.7	4.3	16.7
††	F.P.	—	£38⅜	£38⅜	Wessanen(Kon.)DFl.20	£37⅞	......	Q51.0%	2.6	4.3	8.3

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price	+ or −
¶¶	F.P.	21/12	116	105	Aberfoyle 8% Cnv. Uns. Ln. '95	105	−5
91.574	£30	10/4	34¼	29⅞	African Dev. Bank 11⅛% Ln. 2010	34	−⅛
‖	F.P.	11/1	19p	15p	Automated Sec. 5% Cnv. Cum Red Prf.	16p	......
‖	F.P.	2/12	205p	157p	Elswick-Hopper 8% Cv.Cum. Pf. '92-94	176p	+5
‖	F.P.	12/12	110	106	Estate Prop. Inv. 10½% Cnv. 94 99	109	+1
§100	£10	24/1	10½	9½	Folkestone Water 11½% Red. Deb. 2004	10	......
¶¶	F.P.	30/11	110	106	Gable Hse. Prop.10¾% Cnv. Uns. Ln. 95/99	110	......
§99.094	F.P.	—	98½	98¼	Gartmore Amer. 11⅛% Deb. 2014	98¼	......
§99.405	F.P.	11/1	100¾	100¼	Glasgow Stock'hlds 11⅛% Deb. 2009	100½	−¼
99.161	£30	17/1	35⅛	28⅝	Intl. Bk. for Recon. & Dev. 11⅛% Ln. 2003	34⅛	......
§99.199	£25	15/3	29½	24½	Lon. Shop Prop. 11⅛% 1st Mort. Deb. 2018	29½	+⅛
§98.015	F.P.	—	98½	98¼	Lowland Inv. 11¼% Deb. 2010	98¼	−¼
—	F.P.	—	100⅛	100⅛	Nationwide Bldg. Soc. 10⅞% Bds. 11/11/85	100⅛	......
—	F.P.	—	100⅛	100	Do. 10¼% Bds. 9.12.85	100⅛	......
‖	F.P.	11/1	109	101½	Normans Grp. 8¼% Cnv. Uns. Ln. 98/2004	108½	+2
¶¶	F.P.	—	56	55	Peel 10% Cum. Pref. 50p	55	......
‖	F.P.	12/12	108	100½	Plant & Gen. 9% Cnv. Uns. Ln. 1999	105½	+1
¶¶	F.P.	26/4	129	115	Racal Elect 7% Cnv. Uns. Ln. 2009/14	125	......
100	£10	24/1	10¼	10	Sun'ld & Sth. Shields 11¾% Deb. 2005	10	......
91.976	£20	27/3	24⅞	18⅞	Sweden 11% Ln. 2012	24⅞	+⅛

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price	+ or −
5	Nil	14/12	1pm	¼pm	Amalgamated Estates 5p	¼pm	......
80	F.P.	16/1	84	80½	Attwoods	82	......
100	F.P.	13/12	110	104½	Cambrian & General	107	+1
210	F.P.	—	245	233	Do. Cap 7½p	239	......
143	Nil	30/1	28pm	22pm	Equipu	22pm	......
30	F.P.	11/1	34½pm	31pm	Jacks (Wm)	31	......
‖	Nil	18/1	12pm	11pm	Lifecare Intl. Units†	11pm	......
185	Nil	18/1	37pm	26pm	Marshalls Halifax	30pm	−2
170	Nil	6/11	115pm	78pm	✱Tops Ests. 10p	112pm	......
5	Nil	30/1	2¼pm	1¾pm	Tranwood 5p	1¾pm	−¼

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. C Canadian. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ■ Allotment letters or fully-paid. ‖‖ Introduction. ✱ Unlisted Securities Market. § Placing price. T Figures assumed. †† Official London Listing Shares of no par value.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
*AE	Dec 13	Final 1.4
Assoc Dairies	Jan 11	Interim 1.25
Assoc Newsp	Jan 12	Final 7.5
*Assoc Paper Inds	Dec 12	Final 3.0
*Baker Perkins	Dec 10	Interim 2.4
*British Electric Traction	Dec 20	Interim 2.25
British Land	Dec 20	Interim 0.5
*Charter Cons	Dec 12	Interim 3.75
*Crown House	Dec 10	Final 2.5
Daily Mail & Gen Trust	Jan 12	Final 22.5
*Distillers	Dec 20	Interim 4.5
English China Clays	Dec 15	Final 6.5
Fitch Lovell	Jan 12	Interim 2.5
*Grand Metropolitan	Dec 20	Final 5.75
*Greenall Whitley	Dec 10	Final 2.235
*Greycoat City Offices	Dec 13	Interim 0.8
Haslemere Estates	Dec 15	Interim 2.09
Hogg Robinson	Jan 10	Interim 3.3
*IC Gas	Dec 11	Interim 4.0
*Initial	Dec 14	Interim 4.25
Intasun	Dec 13	Interim 1.8
Johnson Firth Brown	Dec 19	Final nil
Kenning Motor	Jan 12	Final 4.0
Lloyds and Scottish	Dec 21	Final 2.87
*London Merchant Securities	Dec 13	Interim 0.8
Magnet and Southerns	Jan 11	Interim 2.0
Martin The Newsagents	Dec 12	Final 3.72
*McCorquodale	Dec 11	Final 6.25
*Meyer International	Dec 11	Interim 1.65
*Norcros	Dec 10	Interim 2.3
*Northern Foods	Dec 12	Interim due
*Pilkington	Dec 12	Interim 5.0
RHP	Dec 12	Final 0.75
*Scottish and Newc Brew	Dec 17	Interim 1.73
*Stakis	Dec 12	Final 1.45
*Tate and Lyle	Dec 12	Final due
Thorn EMI	Jan 13	Interim 5.0
*Unigate	Dec 13	Interim due
*Vaux Brews	Dec 13	Final 6.05
*Westland	Dec 19	Final 5.25
Wests Group	Dec 12	Interim 2.5
*Whessoe	Dec 17	Final 3.0
*Wolvrhpton and Dudley Brws	Dec 11	Final 4.58

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

Today's Rate 10¼% – 10½%

3i Term Deposits

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid half-yearly. Rates for deposits received not later than 14.12.84 are fixed for the terms shown:

Terms (years)	3	4	5	6	7	8	9	10
Interest %	10¼	10¼	10¼	10½	10½	10½	10½	10½

From 6th April 1985, interest will be paid after deduction of tax at the composite rate to UK resident individuals on deposits of less than £50,000. Deposits to and further information from the Treasurer, Investors in Industry Group plc, 91 Waterloo Road, London SE1 8XP (01-928 7822 Ext. 2367). Cheques payable to "Bank of England, a/c Investors in Industry Group plc"

3i INVESTORS IN INDUSTRY

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange

Commercial Bank of Wales PLC

(Incorporated in England under the Companies Acts 1948 to 1983—No. 1002110)

Placing by Lyddon & Co. of £3,000,000 13½ per cent Subordinated Unsecured Loan Stock 1995/97 at par.

Application has been made to the Council of The Stock Exchange for the above Stock to be admitted to the Official List. A proportion of the Stock being placed will be available to the public through the market. Particulars of the Stock are available in the statistical services of Extel Statistical Services Limited and copies of such particulars may be obtained during normal business hours on any weekday (excluding Saturdays and public holidays) up to and including 24 December 1984 from:—

Lyddon & Co.,
113 Bute Street,
Cardiff, CF1 1QS
and at
2–6 Austin Friars,
London, EC2N 2EE

Commercial Bank of Wales PLC,
114–116 St. Mary Street,
Cardiff, CF1 1XJ

10 December 1984

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THIS DOCUMENT INCLUDES PARTICULARS GIVEN IN COMPLIANCE WITH THE REGULATIONS OF THE COUNCIL OF THE STOCK EXCHANGE FOR THE PURPOSE OF GIVING INFORMATION WITH REGARD TO CANDOVER THE DIRECTORS OF CANDOVER HAVE TAKEN ALL REASONABLE CARE TO ENSURE THAT THE FACTS STATED HEREIN ARE TRUE AND ACCURATE IN ALL MATERIAL RESPECTS AND THAT THERE ARE NO OTHER MATERIAL FACTS THE OMISSION OF WHICH WOULD MAKE MISLEADING ANY STATEMENT HEREIN, OF FACT OR OPINION. ALL THE DIRECTORS ACCEPT RESPONSIBILITY ACCORDINGLY.

CANDOVER INVESTMENTS plc

(Incorporated in England and Wales under the Companies Acts 1948 to 1976 — No. 1512178)

Share capital

Authorised		Issued and now being issued fully paid
£2,385,000	in Ordinary Shares of 25p each	£1,788,750

The shares which are the subject of this placing rank in full for all dividends and other distributions declared, made or paid on the share capital of Candover following the placing.

Placing by Cazenove & Co. of 1,788,750 Ordinary Shares of 25p each at 160p per share

Indebtedness

Apart from £3,000,000 Unsecured Loan Notes (which are being converted into Ordinary Shares under the arrangements described herein), intra-group transactions and the contingent liabilities referred to in Note 16 to the Accountants' report, neither Candover nor any subsidiary had, as at 16th November, 1984, any loan capital (including term loans) outstanding, or created but unissued, nor any outstanding mortgages, charges or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances or acceptance credits or hire-purchase commitments, or guarantees or other material contingent liabilities.

Summary

The information set out below should be read in conjunction with the full text of this document from which it is derived.

Business

Candover's principal activity is the organisation of and investment in large management buy-outs in the UK. In addition Candover invests in unquoted companies in the UK and the US and manages, in association with Hoare Govett Limited, the Hoare Candover Exempt Fund which also invests in management buy-outs and unquoted companies.

It is the intention of Candover to qualify as an investment trust for tax purposes from 1st January, 1985.

Adjusted net assets record

		£m
11th September, 1980	(Date of commencement)	2.1
30th June, 1981	(Accounting reference dates)	2.1
30th June, 1982		3.8
31st December, 1983		9.1
30th September, 1984	(Date of latest audited accounts)	11.8
26th November, 1984	(Valuation date)	12.2

The above table has been prepared after making the adjustments described under Net assets, profits and dividends below and takes into account the additional share and loan capital of £1.05 million subscribed in 1981.

Placing statistics

Placing price	160p per share
Adjusted net assets as at 26th November, 1984	166p per share
Market capitalisation at the placing price	£11.45 million
Forecast net dividend for the year ending 31st December, 1984	1.40p per share
Gross dividend yield on the forecast dividend for 1984	1.25 per cent

Directors

Peter Graham Wreford *(Chairman)*
Christopher Roger Ettrick Brooke *(Chief Executive)*
Stephen William Curran, FCCA *(Deputy Chief Executive)*
Howard Arthur Hicks, CBE, DSc
Richard Alfred Patrick King
Michael Craig Stoddart, FCA
Lawrence Victor Dolman Tindale, CBE, CA
all of 4/7 Red Lion Court, London EC4A 3EB.

Secretary and Registered office
Stephen Mark Alexander, FCA,
4/7 Red Lion Court,
London EC4A 3EB.

Stockbrokers
Cazenove & Co.,
12 Tokenhouse Yard,
London EC2R 7AN
and The Stock Exchange.

Solicitors to the Company
Ashurst, Morris, Crisp & Co.,
Broadgate House,
7 Eldon Street,
London EC2M 7HD.

Solicitors to the placing
Slaughter and May,
35 Basinghall Street,
London EC2V 5DB.

Joint Reporting Accountants
Peat, Marwick, Mitchell & Co.,
Chartered Accountants,
1 Puddle Dock, Blackfriars,
London EC4V 3PD.

Auditors and Joint Reporting Accountants
Thornton Baker,
Chartered Accountants,
Fairfax House, Fulwood Place,
London WC1V 6DW.

Principal Bankers
Barclays Bank PLC,
9 Gracechurch Street,
London EC3V 0BB.

Registrars and Transfer office
Barclays Bank PLC,
Registration Department,
Radbroke Hall,
Knutsford,
Cheshire WA16 9EU.

Background to the placing

Introduction

Candover is the holding company of a group which commenced business in September, 1980 with the principal objective of organising and investing in large management buy-outs in the UK. Through its buy-out and investment activities Candover has made a number of successful investments, the most notable of which have to date been in DPCE Holdings, Stone International, Famous Names (Holdings), Vickers da Costa (Holdings), and, in the US, The Union Ice Company.

After adjusting for the effects of the Capital Reorganisation referred to below, Candover's net assets, which totalled £12.2 million as at 26th November, 1984, have increased substantially since September, 1980 mainly through appreciation in the value of the investments made in the companies mentioned above. This increase in value reflects directors' valuations (including those made at cost) in respect of 65% by value of the portfolio at 26th November, 1984, and takes account of reductions below cost made by the directors in the valuation of seven investments which have not achieved projected financial targets. Changes from Candover's present net asset value will originate from a larger capital base and will derive from a wider spread of investments. External factors, such as fluctuations in stock market prices and exchange rates, will also affect Candover's net asset value, as will the future incidence of realisations and flotations of companies in which investments are held.

Candover commenced business with a capital of £2.1 million, consisting of £2 million Unsecured Loan Notes carrying an interest rate of 6% and repayable in 2005 ("the Loan Notes") and £100,000 of ordinary share capital: the Loan Notes were subscribed by investing institutions and the Ordinary Shares by these institutions and by present or former directors. An issue of an additional £1 million of Loan Notes and of further ordinary share capital was made in 1981. The institutions who are now the holders of the Loan Notes and of Ordinary Shares ("the Institutional Shareholders") are Electra Investment Trust, Globe Investment Trust, The Prudential Assurance Company, Investors in Industry, The Fleming Enterprise Investment Trust, The British Petroleum Pension Trust and investment trusts managed by the Murray Johnstone Group. Taking account of the conversion of the Loan Notes referred to below, 21% of Candover's Ordinary Shares prior to the placing was held by present or former directors and employees and their related family interests and 79% by the Institutional Shareholders.

Following the listing of its share capital, Candover intends to seek the approval of the Board of Inland Revenue as an investment trust for tax purposes from 1st January, 1985 and, as such, the Company will no longer be liable to corporation tax on capital gains.

Placing arrangements

It has been agreed between Candover and the holders of the Loan Notes, with the approval of the Ordinary Shareholders, that the ordinary share capital of Candover will be reorganised and that the Loan Notes will be converted into further Ordinary Shares, credited as fully paid, in the capital of the Company on the basis of one new Ordinary Share for every £1.60 nominal of Loan Notes. The conversion of the Loan Notes will only take effect once Candover's ordinary share capital has been admitted to the Official List. Full details of the capital reorganisation and conversion of the Loan Notes (the "Capital Reorganisation") are given in Statutory and general information and are reflected in Net assets, profits and dividends below.

Arrangements have now been made, subject to the admission of the ordinary share capital of Candover to the Official List, for the placing by Cazenove & Co. at a price of 160p per Ordinary Share of 1,788,750 Ordinary Shares, representing 25% of the issued ordinary share capital following the Capital Reorganisation. All the shares being placed are being sold by existing shareholders.

Reasons for the placing

The directors consider that Candover's position as a leading company in the organisation of large management buy-outs in the UK will be strengthened as a result of becoming a listed company. Furthermore, investment trust status for tax purposes will enable the directors to adopt a more flexible approach to the management of the Company's portfolio.

Investment activities

Management buy-outs in the UK

Candover's principal activity since its establishment has been the identification, investigation, implementation and monitoring of large syndicated management buy-outs in the UK, in which Candover itself has always made an investment. No specific upper or lower size limits for buy-out companies have been set by the directors of Candover but, in practice, the Company has specialised in transactions where more than £1 million is required from institutional investors so that syndication is appropriate. To date, investments have been made in 12 buy-outs, further details of which are given below in Description of UK investments.

A buy-out usually involves the purchase of 100% of an existing business for cash, sometimes with the provision of extra funds for working capital. To undertake each acquisition, a new company is formed by key members of the management team who subscribe for equity share capital in that company. A carefully structured combination of loan stock or preference shares or both, together with further equity share capital, is issued by the new company and placed by Candover with investing institutions, including its Institutional Shareholders. Candover has always participated as an investor in the new company, typically on terms which reflect its role in arranging the buy-out. The terms on which the equity share capital is subscribed by the management and the institutions often provide for the proportion of the equity held by management to be increased if target profits are achieved over prescribed periods. Normally, the equity share capital of the new company acquired by Candover would represent between 5% and 15% of the value of the total equity share capital then in issue and is often taken in the form of convertible shares. The ultimate percentage interest which Candover and the other institutional investors obtain under the conversion arrangements will depend upon the performance of the new company where the participation of management in the equity share capital is related to the achievement of target profits.

Relatively high levels of bank debt are usually built into the financing of buy-outs in order to offer the prospect of attractive returns to equity investors. It should be noted that these debt levels can increase the risks involved in such an investment.

Where an investment in a buy-out is syndicated, it has been Candover's practice to offer participation to its Institutional Shareholders and the Hoare Candover Exempt Fund. It is expected that syndications will continue to be arranged in whole or in part with these parties after the placing.

Businesses which Candover considers to be suitable for buy-outs are normally in one of four categories:

— Divisions or subsidiaries of public companies which are available for purchase and are considered able to operate as independent concerns.

— Businesses of companies in receivership which the directors believe can be re-established as viable concerns.

— Privately held companies where the shareholders wish to sell all or part of their holdings.

— Quoted companies where an offer for the shares can be justified. No buy-outs in this category have yet been organised by Candover, but the directors believe that there could be opportunities for doing so in the future.

Buy-outs are particularly suitable for low and medium technology companies, provided that they have capable management and other characteristics judged likely to lead to profit growth. Candover has organised and invested in buy-outs in a wide range of manufacturing and service industries.

Candover is highly selective in the transactions which it undertakes and the investments which it makes. Consequently, its portfolio represents only a small percentage of the opportunities which it reviews.

Candover is introduced to investment opportunities in various ways, principally by professional intermediaries including merchant banks, firms of stockbrokers, accountants, solicitors and consultants, by personal and professional contacts of directors and staff, and by other firms engaged in investment in unquoted companies. In addition, Candover receives direct approaches from managers interested in participating in a buy-out of the company in which they are employed and from representatives of companies exploring the practicability of the sale of a division or subsidiary to its managers.

Candover's normal practice is to ask the prospective buy-out management, after appropriate clearances from the potential vendor, to prepare a comprehensive business plan for the company concerned. Such a plan would cover, *inter alia*, the company's history, markets, products or services, technical position, career details of the key managers, and historical income, cash flows and balance sheets together with management projections for future years. Candover then investigates the project using both its own staff and outside advisers, including, in most cases, reporting accountants. If Candover decides to proceed further as a result of these investigations, the Candover management, together with the management of the buy-out company, negotiate the purchase terms, establish the financial structure of the new buy-out company, arrange the finance from banks and institutions and complete the purchase formalities.

After the transaction is completed, Candover is normally represented on the board of the buy-out company and a working relationship with the buy-out management is maintained, although Candover does not become involved in the buy-out company's day to day affairs.

Equity investment in a buy-out organised by Candover is usually made with a view to achieving a flotation of the buy-out company. The equity investors thereby aim to achieve marketability for their shares and an enhanced capital value. Alternatively, buy-out companies may receive offers to purchase the business which the shareholders will wish to accept. In judging the timing of flotation or sale in buy-outs organised by Candover, particular regard is paid to the views of the management.

It is not possible to predict the likely period between a buy-out and the buy-out company's flotation or sale. Clearly this will depend largely upon the trading performance of the company following the buy-out. Two of Candover's most successful investments, DPCE Holdings and Stone International, both larger buy-outs of well established businesses, have been listed on The Stock Exchange, whilst another, Vickers da Costa (Holdings), has been purchased by Citicorp, all within a period of two and a half years of the original investments. For other companies which perform less well or are at an earlier stage of development, the period to listing or sale (assuming one or other can be achieved) is likely to be longer.

Other UK investments

Candover has organised and invested in three management "buy-ins" where a new chief executive, sometimes with one or two senior colleagues and perhaps some of the existing management, has been supported to buy an established business.

Candover also invests in unquoted companies where the nature of the investment is the provision of capital for development rather than finance for a management buy-out or buy-in. In all such cases Candover looks for companies with above average growth prospects and capable existing management, usually with a material equity holding in the business. To date seven such investments have been made. Candover may in appropriate cases arrange syndication of large investments of this kind with institutional investors, including its own Institutional Shareholders and the Hoare Candover Exempt Fund.

Further details of these investments are given below in Description of UK investments.

Hoare Candover

In March, 1984 Hoare Candover Limited ("Hoare Candover") was constituted jointly by Candover and Hoare Govett, a leading London stockbroking firm, to manage a new fund, the Hoare Candover Exempt Fund, to enable participating pension funds and other exempt funds to invest, through this fund, in management buy-outs and in established unquoted companies and new ventures. A total of £7.48 million was committed by the participants, of which an initial tranche of £2.69 million has been subscribed. Candover is responsible for investigating, implementing and monitoring the investments made by the fund and to date seven investments have been made at a total cost of £1.53 million.

Hoare Candover is to receive an annual management fee which will be calculated at the rate of 1% per annum on the total amount committed to the fund and, after 31st December, 1985, will be at the rate of 1% per annum of the net asset value of the fund if this exceeds the amount originally committed. In addition, Candover recovers certain of its administrative costs from the fund. It also receives options under an option agreement to purchase at cost 7.5% of the equity investments made by the fund. Candover is liable to pay to the fund, at the earlier of five years after an investment is made or the termination of the fund, an amount equivalent to the original cost to the fund of shares in respect of which options have been granted to Candover and have not been exercised. Candover may not dispose of all or any part of its investment which it holds in a particular company pursuant to the exercise of an option until the fund has disposed of all or the same proportion of its own equity shareholding in that company.

Where Candover receives projects involving investment of over £400,000 in unquoted companies, it will generally offer the fund a participation of up to 20% in the investment on the same terms as those offered to other institutional investors. Smaller investment opportunities (which may be less appropriate for syndication) will normally be offered to the fund in full. Candover may also offer the fund a participation in US investment opportunities introduced to it by Chappell & Co.

US investments

Details of Candover's US investments are given below in Description of US investments. These investments have been mainly made through two investment firms, Forstmann Little & Co. ("Forstmann Little") and Chappell & Co. ("Chappell"). It has relied on these firms both for investigative work and for subsequent monitoring.

Forstmann Little investments

Candover began to invest in buy-outs organised by Forstmann Little in June, 1981. It has entered into two limited partnership agreements under the terms of which it has subscribed a total capital of $837,418 in further limited partnerships formed in each case for the purpose of investing in individual management buy-outs in the US. The directors considered that, through its participation in these investments, Candover would receive attractive investment opportunities and obtain direct experience of buy-out organisation in the US, where this method of financing has been longer established and has operated on a larger scale than in the UK.

Pursuant to the first limited partnership agreement, which has now terminated, Candover became a limited partner in three further limited partnerships. One of these was formed to acquire an investment in the All-American Bottling Corporation which had purchased the soft drinks division of Beatrice Foods and a second was formed to acquire an investment in The Union Ice Company, a manufacturer of water ice and an operator of cold storage warehouses. Both of these investments have now been realised by the limited partnerships concerned. The third limited partnership was formed to acquire an investment in Emb-Tex Corporation, a manufacturer of machine made embroidery products. On the basis described in Description of US investments below, the resultant total gain before tax attributable to Candover's interests in the first two partnerships was $2.8 million almost all of which derived from the investment in The Union Ice Company.

Candover has become a limited partner in a further four limited partnerships constituted pursuant to the second of the two agreements referred to above and under which it accepted an investment commitment of $2million. In an agreement dated 25th November, 1982, between Candover and The Prudential Assurance Company Limited ("Prudential"), Prudential has accepted a 75% participation in the rights and liabilities attaching to the investment to which Candover is committed under the second agreement. Each of the limited partnerships constituted pursuant to the second agreement has invested in a management buy-out organised by Forstmann Little and details of these investments, all of which continue to be held by the partnerships concerned, are set out in Description of US investments below. The second agreement has also now come to an end. Forstmann Little has decided to seek commitments for a third limited partnership to invest in management buy-outs and, because substantially higher minimum commitments would be required, Candover has decided not to participate in these new arrangements.

Decisions on realisations of these investments are taken by Fortsmann Little as general partner and not by any of the limited partners.

Chappell investments

Chappell is a private firm based in San Francisco, California, which specialises in early stage venture capital financing, primarily in technology based companies in the US, and also organises and participates in medium sized management buy-outs. Candover decides whether to participate in investments proposed by Chappell on a case by case basis. To date Candover has invested $1.48 million in 17 businesses introduced through Chappell. None of the investments in these companies has been realised and all have been made in 1983 and 1984. Most of these investments are in companies at an early stage of development and accordingly their trading records are short.

Direct investments

Candover has to date made two direct investments in US companies at a cost of $1.19 million. Candover may make further such investments from time to time, although it is not intended that this should represent a major part of its activities.

Directors, staff and operations

Directors

Mr P G Wreford, who is 66, became Chairman in January, 1983. He was formerly Chairman of Gresham Trust, which provides merchant banking services principally to unlisted companies. In addition to the chairmanship of Candover, Mr Wreford is Deputy Chairman of Clive Discount Holdings and a director of several companies including Crown House Holdings, London Atlantic Investment Trust, Investment Trust of Guernsey and Wates Limited.

Mr C R E Brooke, who is 53, was appointed Chief Executive on the formation of Candover. In 1966 he was appointed Deputy Managing Director of the Industrial Reorganisation Corporation and from 1969-71 he was Managing Director of Scienta S.A., which was involved in small and medium-sized advanced technology businesses in Europe. He was a director of Pearson for eight years and in June, 1979 was appointed Group Managing Director of EMI, leaving the company in February, 1980 after its merger with Thorn. He is also a director of Slough Estates.

Mr S W Curran, who is 41, was appointed an executive director in July, 1982. Prior to joining Candover in May, 1981, he was a managing consultant for Coopers & Lybrand Associates and then Project Finance Manager of the Industrial Finance Branch of the National Coal Board Pension Funds. He is a director of Greggs and a non-executive director of a number of unquoted companies.

Mr H A Hicks, who is 70, was appointed a non-executive director in September, 1980. He is the founder and Executive Chairman of the IDC Group of Companies which specialises in the design, construction and engineering of industrial and commercial projects in the UK and overseas.

Mr R A P King, who is 50, was appointed a non-executive director in July, 1981. He is the Chairman of Sale Tilney, a company with interests in food manufacturing and distribution, engineering and insurance, and a director of a number of other companies.

Mr M C Stoddart, who is 52, was appointed a non-executive director in September, 1980. He is the Chief Executive and Deputy Chairman of Electra Investment Trust and a director of Globe Investment Trust. For a number of years he has been involved in investment in and development of unlisted companies. He is non-executive Chairman of J. Hepworth & Son and is also a director of a number of public and private companies.

Mr L V D Tindale, who is 63, was appointed a non-executive director in September, 1980. He is Deputy Chairman of Investors in Industry and a director of a number of public and private companies. He has been active in the area of small company investment for twenty-five years.

Staff

Mr G D Fairservice, who is 37, joined Candover in March, 1984. After eight years with ICFC in Southampton and London, in 1982 he joined the British Technology Group as Deputy Director in the Information Technology Division and became Director of the Small Companies Division.

Mr P G Symonds, who is 33, joined Candover in January, 1983. After qualifying as a Chartered Accountant in 1976 with Peat, Marwick, Mitchell & Co., he spent seven years in all aspects of professional practice, including the preparation of accountants' reports for prospectuses.

Mr S M Alexander, who is 38, joined Candover in March, 1982 as Company Secretary and Treasurer. After qualifying as a Chartered Accountant in 1969, he spent three years with Deloitte, Haskins & Sells. In 1972 he joined, as Administrative Manager, the London based international investment management subsidiary of Oppenheimer & Co., New York. From 1976 to 1982 he practised on his own as a Chartered Accountant.

Operations

The directors of Candover are responsible for the conduct of the business including, in particular, formulating investment policy and making investment decisions on the advice of the executive directors and staff.

Mr Brooke and Mr Curran have entered into full-time service agreements terminable on twenty-four months' notice, further details of which are given under Directors' service agreements in Statutory and general information.

A subsidiary of Candover contributes towards a number of personal pension arrangements designed to provide retirement benefits for its directors and senior employees. Including the executive directors and the members of staff referred to above, Candover has eight full-time employees and retains a number of part-time consultants.

Candover has its offices at 4.7 Red Lion Court, London EC4. In view of the recent growth in its activities, Candover intends to move to new leased offices during 1985.

Net assets, profits and dividends

Valuation of investment portfolio

Listed investments have been valued at the middle market quotations derived from The Stock Exchange Daily Official List as at 26th November, 1984.

Unlisted investments have been valued by the directors as at 26th November, 1984. Initially such investments are carried at cost. Subsequently the directors are guided by:

(i) the market values of quoted companies with comparable activities, discounted for lack of marketability of the relevant investment; or

(ii) the prices at which subsequent issues of capital or dealings between third parties have taken place.

Appropriate downward adjustments are made to reflect unsatisfactory financial performance. In the valuation of the portfolio as at 26th November, 1984 such adjustments have been made to five UK investments and two US investments, totalling £419,773 and $441,778 respectively, against original costs of £577,575 and $1,053,506. Apart from these investments, a provision against original cost had earlier been made in the case of one other investment, which has now been revalued at above original cost. No investment has been made which has been realised at a loss.

An analysis of the investments shown as fixed asset investments in the Accountants' report, as revalued at 26th November, 1984, is as follows:

UK investments	Number	Valuation £'000
Listed	2	3,650
Unlisted:		
At cost	9	1,991
Revalued by directors	9	2,701
	20	8,342
US investments	Number	Valuation
Unlisted:		$'000
At cost	*10*	*1,116*
Revalued by directors	11	1,917
	21	3,033
Total number and valuation ($1.2035: £1)	41	10,862

The appreciation before taxation in the value of investments has been the major element of the increase in shareholders' funds since Candover commenced business and has arisen in the manner set out below:

	Realised £m	Unrealised £m	Total £m
Listed	0.9	3.7	4.6
Unlisted:			
Exchange gain	0.7	0.5	1.2
Other	2.4	1.8	4.2
Total appreciation	4.0	6.0	10.0

Of the appreciation of £10.0 million, £8.9 million relates to the five following investments:

	£m
DPCE Holdings	2.9
The Union Ice Company	2.0
Stone International	1.6
Famous Names (Holdings)	1.3
Vickers da Costa (Holdings)	1.1
	8.9

Adjusted net assets record

Net assets shown below are based on the audited consolidated balance sheets at the relevant dates, after converting the Loan Notes then outstanding into Ordinary Shares in the manner described in Background to the placing and adjusting to include current asset investments at market or directors' valuation, less attributable taxation. Net assets at 26th November, 1984 reflect the revaluation of investments at that date but are otherwise based on the audited consolidated balance sheet at 30th September, 1984, after the conversion and adjustment referred to above. The Ordinary Shares and Loan Notes were subscribed mainly in September, 1980 (£2.10 million) and November, 1981 (£1.05 million).

		£m
11th September, 1980	(Date of commencement)	2.1
30th June, 1981	(Accounting reference dates)	2.1
30th June, 1982		3.8
31st December, 1983		9.1
30th September, 1984	(Date of latest audited accounts)	11.8
26th November, 1984	(Valuation date)	12.2

An analysis of the adjusted net assets at 26th November, 1984, after deducting the estimated expenses of the placing of £280,000, is as follows:

	£'000	£'000
Fixed Assets:		
Tangible assets		74
Investments		10,862
Associated company		16
		10,952
Current Assets:		
Debtors	705	
Investments	1,524	
Cash at bank and in hand	27	
	2,256	
Creditors falling due within one year	1,018	
Net current assets		1,238
Adjusted net assets		12,190
Estimated expenses of the placing		280
Adjusted net assets, after deducting the estimated expenses of the placing		*11,910*
Adjusted net assets per share after the Capital Reorganisation		166p

Pro forma profits

As part of the arrangements for the placing, the £3m Loan Notes are to be converted into Ordinary Shares and loan interest will no longer be payable. Pro forma profits below are therefore based on Candover's audited accounts after crediting such interest and charging notional taxation thereon.

	46 weeks ended 30.6.81 £'000	Year ended 30.6.82 £'000	18 months ended 31.12.83 £'000	9 months ended 30.9.84 £'000
Income:				
Financial services	113	211	374	159
Investment dealing	—	30	280	199
Investment income	36	158	286	230
Other interest	192	145	198	113
Share of profits of associated company	—	—	—	22
	341	544	1,138	723
Administrative expenses and interest payable	195	322	682	335
Profit before taxation	146	222	456	388
Taxation	77	117	252	148
Profit after taxation	69	105	204	240
Earnings per ordinary share based on the weighted average of shares in issue or to be issued	1.55p	1.72p	2.88p	3.36p

Some modification will be required in the future operation of Candover's investment dealing subsidiary which, from 1st January, 1985, will make no further investments in the shares of companies in which Candover itself has an investment.

Dividends

The directors expect, in the absence of unforeseen circumstances, to recommend a single dividend of 1.40p per share in respect of the year ending 31st December, 1984 payable in April, 1985. The directors intend, in future years, to recommend for payment a single dividend which will be payable in April of each year.

Whilst it is Candover's policy to achieve a gradual increase in dividends each year, the objective of achieving capital growth will be given priority.

It is intended to manage the business of Candover so that, with effect from 1st January, 1985, it will qualify as an investment trust within the meaning of Section 359, Income and Corporation Taxes Act 1970. A company which is a qualifying investment trust may not retain in respect of any accounting period more than 15% of its income from shares and securities. The distribution by way of dividend of surpluses arising from the realisation of Candover's investments must be prohibited.

Investment policy and prospects

Candover intends to continue to seek capital growth, principally through investments made and held in buy-outs which it organises in the UK. The directors believe that in future years more companies in the UK will decide to concentrate on mainstream activities and divest divisions or subsidiaries which they will judge not to be in that category. Similarly, the directors expect that owners of private companies will continue to sell their holdings to liquidate and diversify their assets. Some of these are likely to be suitable for buy-outs or for buy-ins. The directors believe that the number and size of buy-out transactions has grown substantially in recent years and they expect that this trend will continue.

As it has done in the past, Candover will give consideration to investment propositions involving the provision of development capital for unlisted companies. Opportunities in this area are increasingly becoming available to the Company and, in appropriate cases, it is envisaged that investments will continue to be made. The directors believe that further opportunities will arise for Candover to participate in investments in the US, particularly through the relationship which Candover has built up with Chappell. Similar associations may be established with other suitably qualified investment organisations in the US and elsewhere. Candover will not, however, seek a predetermined geographical spread of investments but will invest where it believes attractive opportunities exist.

Candover is currently considering a proposition to organise buy-outs elsewhere in Europe with suitably qualified local management. The directors believe that there are good opportunities to organise buy-outs in Europe similar to those undertaken in the UK. Candover may decide to organise other investment funds in addition to the Hoare Candover Exempt Fund with the primary purpose of investing in management buy-outs and providing development capital for unlisted companies.

As a consequence of its investment policy, Candover's investments are usually made in companies which initially are unlisted or which have no official market for their shares. A substantial proportion of Candover's investments can, therefore, be held in companies the trading performance of which may not have been reported as fully or for as long as is normally the case with quoted companies and the shares of which lack the *marketability of quoted investments. Start-up ventures in the UK will not normally be* considered for investment by Candover, except in cases where the management concerned have a proven record of success in the relevant business area.

It is not Candover's policy to take management or legal control of any company in which an investment is made nor to invest more than 15% of Candover's assets at the time of acquisition in any one investment. The investment in DPCE Holdings has, however, increased substantially in value so that it now exceeds 15% of the total net assets. It is Candover's policy to retain a holding in companies in which it has invested after a market has become established in that company's shares, provided future growth is expected. However, some realisations are likely both to correct imbalances in Candover's portfolio and to provide funds for new investments in buy-outs and unlisted companies.

The directors believe that many of the existing investments in Candover's portfolio offer good prospects for growth in capital value.

Candover has established a reputation of success for organising and investing in buy-outs and, as a result, a substantial flow of investment propositions has been generated. The directors believe that Candover will continue to have opportunities for further successful investment.

Description of UK investments

Management buy-outs

Holdings with a valuation, as at 26th November, 1984, of more than £100,000 are set out below. The uplift shown represents the valuation of the current holdings together with the gross proceeds of any realisations, less the original cost of the total investment made.

DPCE Holdings

Original cost of investment	Proceeds of realisations to date	Current holding	Valuation as at 26th November, 1984	Uplift
£166,875	£1,031,183	500,000 ordinary shares.	£1,900,000	£2,764,308

DPCE Holdings is a market leader in the provision of manufacturer-independent computer maintenance services, primarily under contract, to leading national and international organisations. Its ancillary activities include training, hardware consultancy and supply of equipment.

Candover's investment in DPCE derives from a buy-out in April, 1981 organised by Candover and Thompson Clive & Partners.

In July, 1983 DPCE obtained a listing on The Stock Exchange following an Offer for Sale. Candover sold 90,000 shares in the Offer for Sale which realised £229,601 and also received £163,500 on the redemption of preference shares and loan stock including a premium of £13,500. Subsequently, a further 260,000 shares have been sold realising £638,082. In addition to the holding shown in the above table, a subsidiary of Candover holds 50,000 ordinary shares as a current asset investment. The original cost to Candover of this holding was £5,625 and was valued as at 26th November, 1984 at £190,000.

DPCE reported profits before tax for the year ended 30th June, 1984 of £1.9 million compared with profits before tax of £849,000 for the previous financial year.

Stone International

Original cost of investment	Proceeds of realisations to date	Current holding	Valuation as at 26th November, 1984	Uplift
£119,000	nil	1,250,000 ordinary shares.	£1,750,000	£1,631,000

Stone International's primary business is the design, manufacture and supply of passenger comfort systems, such as air conditioning, lighting and associated power and generating equipment to mass transit and rail authorities.

Candover's investment in Stone resulted from a buy-out which Candover helped to organise in May, 1982 from the receivers of Stone-Platt Industries.

Stone obtained a listing on The Stock Exchange in October, 1984 following an Offer for Sale.

For the financial year ended 31st May, 1984, Stone reported profits before tax of £5.7 million.

Famous Names (Holdings)

Original cost of investment	Proceeds of realisations to date	Current holding	Valuation as at 26th November, 1984	Uplift
£226,000	£40,000	96,000 B ordinary shares, 90,000 preference shares	£1,500,000	£1,314,000

Famous Names (Holdings) manufactures Famous Names liqueur chocolates, Elizabeth Shaw mint crisps and sugar confectionery under various brand names including Parkinsons and Chewits.

Candover invested in Famous Names in July, 1981 when assisting in the implementation of a buy-out. In March, 1984, 40,000 preference shares were redeemed at par.

Sales for the year ended 31st March, 1984 were £23.1 million (1983: £21.4 million) and profits before tax were £1.61 million (1983: £1.46 million). At 31st March, 1984, total net assets were £6.5 million. The company is budgeting for a further increase in profits before tax in the current year.

Vickers da Costa

Original cost of investment	Proceeds of realisations to date	Current holding	Valuation as at 26th November, 1984	Uplift
£271,500	£224,243	£867,857 10% unsecured loan note, 92,786 10% preference stock of $3 each	£1,099,147	£1,051,890

Candover acquired in 1981 its original investment in Vickers da Costa (Holdings) plc, an international stockbroking, arbitrage and financial services group, when it led the organisation of a buy-out. At that time it invested £96,500 in convertible preference shares and £175,000 in unsecured loan stock, all of which was realised in or before June, 1984.

In June, 1984, pursuant to a scheme of reconstruction, Vickers da Costa (Holdings) plc was placed in members' voluntary liquidation and part of its assets were transferred to Vickers da Costa Securities (Holdings) Inc. in consideration, inter alia, for the issue of the above-mentioned preference stock to Candover. At the same time, the remainder of *the assets of Vickers da Costa (Holdings) plc were transferred to a new company for* which an offer was made by Vickers da Costa (Holdings) Inc., a subsidiary of Citicorp. Pursuant to that offer, the above-mentioned unsecured loan note was issued to Candover.

Candover intends to redeem the unsecured loan note early in 1985 and the preference stock on 30th June, 1985.

Gower Holdings

Original cost of investment	Proceeds of realisations to date	Current holding	Valuation as at 26th November, 1984	Uplift
£338,000	£61,667	1,188,610 ordinary shares, 152,777 preference shares, £12,333 10% secured loan stock.	£478,110	£201,777

The principal activity of Gower Holdings is the manufacture and distribution of self-assembly kitchen furniture.

In March, 1981, Candover helped to organise a buy-out of Gower and invested £227,000 in convertible cumulative preferred ordinary shares and cumulative redeemable preference shares. Following trading losses in the year ended 31st March, 1982, additional funds were provided by institutional shareholders and Candover subscribed a further £37,000 in ordinary shares and £74,000 in loan stock, the latter secured on the assets of a wholly-owned subsidiary, Gower Furniture. In March, 1984, further funds were invested by three Business Expansion Scheme funds, the proceeds of which were principally applied to reduce borrowings.

For the year ended 31st March, 1984, Gower made profits before tax of £602,000 (1983: £323,000) on a turnover of £11.7 million (1983: £13.5 million). At 31st March, 1984, total net assets were £2.5 million. Gower is budgeting for further profit improvement in its current financial year to 31st March, 1985.

Timpson Shoes

Original cost of investment	Proceeds of realisations to date	Current holding	Valuation as at 26th November, 1984	Uplift
£113,750	£100,000	1,086,905 ordinary shares.	£428,750	£415,000

Timpson Shoes operates a chain of retail shoe shops and shoe repair units, mainly based in the Midlands and North of England. Candover assisted in organising a buy-out in September, 1983.

In March, 1984, under refinancing arrangements, the company redeemed in full the secured debenture stock provided by investors as part of the finance for the buy-out of which Candover's proportion amounted to £100,000. For the year ended 30th September, 1984, the first year of trading after the buy-out, the unaudited management accounts showed that the company earned a trading profit, after deducting interest, in excess of £900,000.

Radyne Holdings

Original cost of investment	Proceeds of realisations to date	Current holding	Valuation as at 26th November, 1984	Uplift
£56,690	nil	23,595 conv. cum. partic. pref. ord. shares.	£177,015	£120,325

The activities of Radyne Holdings consist of manufacturing, selling and servicing medium and high frequency induction and dielectric heating equipment. Candover assisted in the organisation of a buy-out in December, 1982.

In September, 1984, an additional £500,000 was raised through a rights issue to finance the acquisition of Radyne's US distributor.

In its first year following the buy-out, to 31st December, 1983, Radyne achieved profits before tax of £661,000 on a turnover of £9.3 million. At 31st December, 1983, total net assets were £1.8 million. The company is budgeting for an increase in profits in the current year.

Castle Mines

Original cost of investment	Proceeds of realisations to date	Current holding	Valuation as at 26th November, 1984	Uplift
£175,502	nil	41,834 conv. cum. partic. pref. ord. shares, £50,000 14% unsec. loan stock.	£175,502	nil

The principal activity is the development of drift coal mines including the extraction of high quality anthracite. In August, 1983, Candover and five other institutions invested £1.9 million in Castle Mines as a result of the buy-out which Candover helped to implement.

Technology Project Services (Holdings)

Original cost of investment	Proceeds of realisations to date	Current holding	Valuation as at 26th November, 1984	Uplift
£103,256	nil	40,000 conv. cum. partic. pref. ord. shares, 63,256 8% cum. red. pref. shares.	£103,256	nil

Technology Project Services (Holdings) formerly traded as Consultants and Designers (U.K.). Its main activity is the provision of expert engineers, technologists and engineering support personnel as well as project teams on a contract or consultancy basis to the international electronic and associated high technology and defence industries. The investment was made in July, 1984, when Candover helped to arrange a buy-out.

Other UK investments exceeding £100,000

Peregrine Holdings Jersey

Original cost of investment	Proceeds of realisations to date	Current holding	Valuation as at 26th November, 1984	Uplift
£200,000	nil	800,000 ordinary shares.	£200,000	nil

Peregrine Holdings Jersey was formed in May, 1984, as an investment holding company with the primary object of achieving capital growth.

Mr D P Murphy, formerly a director of Candover, is the chairman of the company and has an interest in 16% of its ordinary shares.

Centaur Communications

Original cost of investment	Proceeds of realisations to date	Current holding	Valuation as at 26th November, 1984	Uplift
£133,217	nil	36,638 ordinary shares.	£133,217	nil

Centaur Communications is the holding company for a magazine group whose principal activity is the publication of business journals. Current titles include 'Marketing Week', 'Creative Review', 'Televisual', 'Your Business', 'Marketeer' and 'The Magazine'. The investment was made in June, 1984.

Neighbourhood Stores

Original cost of investment	Proceeds of realisations to date	Current holding	Valuation as at 26th November, 1984	Uplift
£126,000	nil	60,000 ordinary shares.	£126,000	nil

The company operates "7-Eleven" convenience stores, under licence from the Southland Corporation of the US. Candover made its investment in July, 1983 and the first stores were opened in and around London in 1984.

Remaining UK investments

The remaining UK investments, each of which is valued at less than £100,000 (excluding the investment in Hoare Candover Limited and any options to acquire investments from the Hoare Candover Exempt Fund) are set out below:

Ansafone Corporation (buy-out investment) is engaged in the manufacture, factoring, sales, servicing and rental of telecommunications equipment.

Colour Marketing Services (buy-in investment) is engaged in the production of colour cards by the chip mounting and direct deposit processes for the manufacturers of paint, laminates and motor vehicles.

Fenland Sheepskin Company (development capital investment) is a specialised tanner of sheepskins and manufactures sheepskin coats and other related products.

Health & Leisure Holdings (development capital investment) was established by the shareholders of Leisure Development (see below) to identify and purchase investments in health and related leisure activities, the first of which was the acquisition of the Ragdale Hall health hydro.

Leisure Development (development capital investment) is engaged in the acquisition and management of investment projects in the UK leisure industry.

Millbank Publishing Group (buy-in investment) publishes reference books, yearbooks, directories, journals and diaries primarily for professional associations, institutions and registered charities.

Office Workstations (development capital investment) develops and markets computer software for advanced workstations.

Security Holdings (buy-in investment) is the holding company of Metcalfe Cooper and Robert Stockwell, financial, City, security and fine art printers.

Thos. Storey (buy-out investment) acquired in October, 1984, the business of Thos. Storey (Engineers) from a subsidiary of Acrow in receivership. Storey is engaged in the provision of section bridging equipment and is the original manufacturer of the Bailey bridge. Candover's current holding is valued at cost and totals £385,700. It is intended shortly to dispose of part of this investment at cost to third parties, as a result of which the cost of Candover's remaining investment will be less than £100,000.

Westpark (buy-out investment) is engaged in the manufacture of valves and other engineering products primarily for the defence, petrochemical, aerospace, water and automotive industries.

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Description of US investments

Forstmann Little investments

The following investments have been made through limited partnerships as described above in Investment activities–US investments:

(i) INVESTMENTS REALISED:

The Union Ice Company	Original cost of investment	Proceeds of realisations
	$214,857	$2,857,598

The Union Ice Company's principal business was the production of water ice and the operation of cold storage warehouses.

All-American Bottling	Original cost of investment	Proceeds of realisations
	$160,000	$319,657

All-American Bottling's principal business is the bottling and distribution of carbonated soft drink products:

(ii) EXISTING INVESTMENTS:

Emb-Tex Corporation	Original cost of investment	Valuation as at 26th November, 1984
	$180,000	$325,800

Emb-Tex Corporation is a US manufacturer of machine made embroidery products.

Note:
Advances have also been made to the general partner of each of the above limited partnerships, which have not been included in the above figures and which have all been repaid except in the case of Emb-Tex Corporation, where a loan of $45,000 is outstanding.

Dr Pepper Company	Original cost of investment	Valuation as at 26th November, 1984
	$143,122	$143,122

Dr Pepper Company is a major US manufacturer of soft drink concentrates and syrups.

Candover has also invested $139,439 in limited partnerships which have invested capital in the following corporations:

Beverage Management, which is a large independent bottler of 7-Up and a franchisee for other soft drinks products.

Topps Chewing Gum, which is the manufacturer of Bazooka bubble gums and also manufactures and distributes, with and without bubble gum, sports picture cards, stickers and other candy and novelty products.

UniCom, which is the holding company of WRGB-TV, a CBS affiliate television station based in Schenectady, New York.

Pursuant to the limited partnership agreements under which these investments have been made, Candover may in certain circumstances be called upon by the general partner in each case to meet liabilities falling on the general partner in its capacity as such. The maximum amount which Candover can be called upon to bear cannot exceed any distribution (including the original capital investment made) received from the limited partnership. The general partner of the limited partnership through which the investment in The Union Ice Company was made has requested from Candover an indemnity in support of this liability and is holding $709,028 out of the proceeds due to Candover pending receipt of such indemnity. The directors are not aware of any circumstances which would oblige Candover to make any such payments under any of these limited partnerships, including the limited partnership through which the investment in The Union Ice Company was made.

Principal Chappell investments

The following investments have been made in companies introduced to Candover by Chappell:

Armand Group	Original cost of investment	Valuation as at 26th November, 1984
Current holding 2,667 shares of Series A preferred stock.	$300,000	$300,000

Armand Group organises and invests in leveraged management buy-outs.

Teledex	Original cost of investment	Valuation as at 26th November, 1984
Current holding 31,500 shares of preferred stock.	$45,360	$207,900

Teledex's main activity is the manufacture and marketing of electronic telephones.

Brag Systems	Original cost of investment	Valuation as at 26th November, 1984
Current holding 3,240 shares of common stock, 11,765 convertible preferred stock Series A.	$107,700	$150,050

Brag Systems provides integrated graphics application software to original equipment manufacturers.

Valley Data Sciences	Original cost of investment	Valuation as at 26th November, 1984
Current holding 95,172 shares of preferred stock.	$130,000	$138,000

Valley Data Sciences produces equipment and software used in the programming of semi-conductor memory and logic devices, particularly programmable logic arrays.

Tekna	Original cost of investment	Valuation as at 26th November, 1984
Current holding 13,820 convertible preferred stock Series A.	$44,686	$135,820

Tekna manufactures advanced underwater diving equipment for sport, professional and military markets.

Remaining Chappell investments

The other investments made through Chappell have been valued at $885,983 compared with cost of $841,942.

Assisted Technology designs software packages for programming programmable logic semi-conductor devices.

Chappell Limited is a limited partnership organised under the laws of the State of California whose primary purpose is to identify and assist small and emerging growth-orientated companies.

Counterpoint Computers develops microcomputers for the technical office.

Diversified Donor Systems specialises in the development of software information packages for non-profit making organisations to assist with their fund-raising activities.

Mertek is engaged in the financing of high technology start-up companies and has invested in Emtek Corporation, whose business is in the research, development and licensing of techniques for freezing and transplanting bovine embryos.

Microbio Resources is involved in the manufacture and development of chemical and food products employing advanced microbiological technology.

Oemtek develops and markets IBM compatible microcomputers.

Parallel Systems manufactures and sells automated handling equipment to test and programme EPROM and EEPROM semi-conductor devices.

Rapport Corporation manufactures and markets peripherals and accessories for home computers.

Stockdale Associates is a Californian limited partnership in which Candover Overseas Investments (UI) Limited, a wholly-owned subsidiary of Candover, has taken a 15% interest in pursuance of its relationship with Chappell. The principal asset of the partnership is a property in Bakersfield, California. Candover has also accepted a contingent liability of up to $750,000 under the material contract referred to in paragraph 8(b) of Statutory and general information in respect of a loan of $1.5 million advanced to Stockdale Associates to finance the acquisition of the Bakersfield property. This loan is due to be repaid on 11th December, 1984 unless an extension is agreed. Candover is in negotiations with the other interested parties with a view to such an *extension being effected.* The extent of any actual liability incurred by Candover under these arrangements will depend upon whether the property is sold in excess of its cost price prior to the loan becoming repayable. The partnership is, at present, actively seeking a purchaser for the property. Further details are summarised in Note 16 to the Accountants' report.

X.O. Industries manufactures and markets energy saving ballasts used in fluorescent lighting fixtures.

Zeus Data Systems designs and markets CAD/CAM systems.

Direct investments

Agridata Resources	Original cost of investment	Valuation as at 26th November, 1984
Current holding 68 shares of Class A common stock.	$913,506	$541,728

Agridata Resources operates a computer based business information and communications system which serves the agricultural sector in the US and Canada. The company also publishes a controlled circulation monthly business magazine and paid circulation weekly newsletter for larger farmers and ranchers. The company is not yet profitable.

Aeronautic Development Corporation	Original cost of investment	Valuation as at 26th November, 1984
Current holding 74 shares of Class B common stock, 633 shares of Class A and C prefd. stock, $192,334 10% and 11% promissory notes.	$275,000	$275,000

Aeronautic Development Corporation's sole product is a noise-reducing "hush-kit" for DC8 aircraft. A prototype is currently under test.

Investments in US companies are subject to certain restrictions on transfer or disposal in accordance with the applicable US legislation.

Accountants' report

Peat, Marwick, Mitchell & Co.,
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London EC4V 3PD

Thornton Baker,
Fairfax House, Fulwood Place,
London WC1V 6DW

The Directors, Candover Investments plc
and
Cazenove & Co.

7th December, 1984

Dear Sirs,

Candover Investments plc ("the Company") was incorporated on 12th August, 1980. The Company was re-registered as a public company on 27th November, 1984. Thornton Baker have *been the Company's auditors since its incorporation.*

The financial information set out in this report is based on the audited accounts of the Company and its subsidiaries (collectively "the Group"), no adjustments being considered necessary.

In our opinion the information set out below, which has been prepared in accordance with the stated accounting policies, gives a true and fair view of the profit and source and application of funds of the Group for the relevant periods ended 30th September, 1984, and of the state of affairs of the Company and the Group at that date. The latest date to which audited accounts have been made up is 30th September, 1984. These accounts have been prepared for the purposes of the placing and it is not intended to change the Company's present accounting reference date of 31st December.

Group profit and loss accounts

	Note	46 weeks ended 30.6.81 £'000	Year ended 30.6.82 £'000	18 months ended 31.12.83 £'000	9 months ended 30.9.84 £'000
Income	1	341	544	1,138	701
Administrative expenses	2	195	321	648	311
Operating income		146	223	490	390
Share of profits of associated company		—	—	—	22
Interest payable	3	(97)	(157)	(304)	(159)
Profit on ordinary activities before taxation		49	66	186	253
Taxation on profit on ordinary activities:					
Group	4	(26)	(36)	(114)	(78)
Associated company		—	—	—	(7)
Profit on ordinary activities after taxation		23	30	72	168
Dividends	5	(21)	(27)	(65)	—
Profit retained		2	3	7	168
Retained profit brought forward		—	2	5	12
Retained profit carried forward		2	5	*12*	*180*

Balance sheets *at 30th September, 1984*

	Note	Group £'000	Group £'000	Company £'000	Company £'000
Fixed assets:					
Tangible assets	6		74		—
Investments	7		10,463		10,498
Associated company	8		16		1
			10,553		10,499
Current assets:					
Debtors	9	705		802	
Investments	10	1,323		1,120	
Cash at bank and in hand		27		10	
		2,055		1,932	
Creditors falling due within one year	11	(933)		(831)	
Net current assets			1,122		1,101
Total assets less current liabilities			11,675		11,600
Creditors falling due after more than one year	12		(3,000)		(3,000)
			8,675		8,600
Capital and reserves:					
Called up share capital	13		165		165
Share premium	14		11		11
Capital reserve	14		8,319		8,256
Profit and loss account	14		180		168
			8,675		8,600

Source and application of funds

	46 weeks ended 30.6.81 £'000	Year ended 30.6.82 £'000	18 months ended 31.12.83 £'000	9 months ended 30.9.84 £'000
Source of funds				
From operations:				
Profit on ordinary activities before taxation	49	66	186	253
Adjustment for items not involving the movement of funds:				
Depreciation	1	6	19	18
Gain on sale of tangible fixed assets	—	—	(1)	—
Increase in provision against current asset investments	9	2	—	—
Exchange differences	—	—	(41)	208
Profits retained in associated company	—	—	—	(22)
	59	74	163	457
From other sources:				
Issue of share capital	100	61	10	5
Proceeds of disposals of fixed asset investments	—	62	992	3,599
Bank loan	—	—	620	—
Issue of loan stock	2,000	1,000	—	—
	2,159	1,197	1,785	4,061
Application of funds:				
Dividend paid	—	(21)	(27)	(65)
Purchase of tangible fixed assets	(15)	(18)	(41)	(49)
Purchase of fixed asset investments	(1,185)	(781)	(1,664)	(2,646)
Tax deducted at source on investment income	(10)	(34)	(64)	(52)
Bank loan	—	—	—	(620)
Investment in associated company	—	—	—	(1)
Net inflow/(outflow) of funds	949	343	(11)	628
Increase/(decrease) in working capital:				
Work in progress	21	(13)	(8)	—
Debtors	56	93	(56)	612
Creditors falling due within one year	(64)	(13)	(22)	(33)
	13	67	(86)	579
Net liquid funds:				
Current asset investments	956	205	104	44
Cash at bank and in hand	—	51	(29)	5
Bank overdrafts	(20)	20	—	—
Net increase/(decrease) in working capital	949	343	(11)	628

Accounting policies

(a) Basis of accounting
The financial statements have been prepared under the historical cost convention except that investments are stated at valuation.

(b) Basis of consolidation
The Group financial statements consolidate those of the Company and of its subsidiaries. The results of subsidiaries are included from the date of acquisition.

An associated company is defined as a company, not being a subsidiary, in which the Group has a substantial and long-term interest and over whose financial and operating policy decisions the Group is in a position to exercise significant influence. The Group's share of the profits of the associated company is included in the Group profit and loss account. The Group balance sheet includes the investment in the associated company at the Group's share of net assets. The Company balance sheet shows the investment in the associated company at cost.

(c) Income
Income arises from financial services provided and investment transactions undertaken during the year. It also includes income from investments and interest receivable.

(d) Depreciation
Depreciation is calculated to write down the cost of all fixed assets by equal annual instalments over *their expected useful lives. The periods generally applicable are:*

Office fixtures and equipment	—	2-5 years
Motor vehicles	—	4 years

(e) Investments
Listed investments are valued at middle market quotations derived from The Stock Exchange Daily Official List. Unlisted investments are included at directors' valuation.

Initially such investments are carried at cost. Subsequently the directors are guided by:
(i) the market values of quoted companies with comparable activities, discounted for lack of marketability of the relevant investment; or
(ii) the prices at which subsequent issues of capital or dealings between third parties have taken place.

Appropriate downward adjustments are made to reflect unsatisfactory financial performance.

Investments held as current assets are dealt with through the profit and loss account and subject to provision for deferred taxation as appropriate. They are held at cost to the relevant subsidiary which may be different from their cost to the Group.

Investments in subsidiaries are maintained at cost less provisions.

(f) Work in progress
External fees payable in respect of investment projects under investigation are carried forward as work in progress to the extent that they are recoverable.

(g) Deferred taxation
Deferred taxation is the taxation attributable to timing differences between profits computed for taxation purposes and profits as stated in the financial statements. Provision for deferred taxation is made under the liability method to the extent that it is considered likely to become payable in the foreseeable future.

(h) Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Balance sheets and profit and loss accounts of overseas companies are also translated at the rates of exchange ruling at the balance sheet date. Where exchange differences result from the translation into sterling of foreign currency resources to be used for further investment, they are taken to the capital reserve. All other exchange differences are dealt with through the profit and loss account.

Notes to financial statements

	46 weeks ended 30.6.81 £'000	Year ended 30.6.82 £'000	18 months ended 31.12.83 £'000	9 months ended 30.9.84 £'000
1 Income				
Financial services and other operating income	113	211	374	159
Investment dealing	—	30	280	199
Income from fixed asset investments				
—unlisted	36	158	286	225
—listed	—	—	—	5
Other interest receivable arising on short-term deposits and loans	192	145	198	113
	341	544	1,138	701
2 Administrative expenses				
Administrative expenses include the following:				
Staff costs				
—salaries	46	135	276	181
—social security	1	10	10	7
—pension costs	8	16	33	25
Depreciation	1	6	19	18
Auditors' remuneration	4	6	12	9
	60	173	350	240
Staff costs include remuneration and consultancy fees paid in respect of services provided by directors, as follows				
—directors' fees	27	38	52	31
—management remuneration	42	60	174	97
	69	98	226	128
3 Interest payable				
On bank loans, overdrafts and other loans				
—repayable within 5 years, otherwise than by instalments	—	1	34	24
—repayable wholly or partly in more than 5 years	97	156	270	135
	97	157	304	159
4 Taxation on profit on ordinary activities				
UK corporation tax on the profits of the period	16	—	56	40
Deferred tax	1	19	(6)	(14)
Tax attributable to franked investment income	9	17	64	52
	26	36	114	78

The Group has certain unrelieved taxation losses estimated at £100,000 available for offset against future trading profits of certain subsidiaries.

5 Dividends	46 weeks ended 30.6.81	Year ended 30.6.82	18 months ended 31.12.83	9 months ended 30.9.84
Ordinary shares				
Final ordinary dividend (£'000)	21	27	65	—
Rate per share				
—actual	20.883p	25.72p	60.502p	nil
—adjusted for Capital Reorganisation	0.653p	0.804p	1.891p	nil

In 1982 and 1983 there were waivers of dividends amounting to £2,958 and £8,167 respectively

6 Tangible fixed assets	Office fixtures and equipment £'000	Motor vehicles £'000	Total £'000
GROUP			
Cost	62	48	110
Depreciation	24	12	36
Net book value	38	36	74

7 Fixed asset investments	Shares in group companies £'000	Investments other than loans £'000	Loans £,000	Total £'000
GROUP				
Cost of investments	—	5,090	27	5,117
Net unrealised appreciation of investments	—	5,342	4	5,346
Valuation	—	10,432	31	10,463
COMPANY				
Cost of investments	863	4,188	27	5,078
Net unrealised appreciation of investments	—	5,416	4	5,420
Valuation	863	9,604	31	10,498

Investments and loans include:	Group Cost £'000	Group Valuation £'000	Company Cost £'000	Company Valuation £'000
Investments listed in UK	12	*1,840*	12	1,840
Unlisted investments, at directors' valuation, in				
—UK	3,147	6,248	3,147	6,248
—US	1,958	2,375	1,056	1,547
Total investments	5,117	10,463	4,215	9,635

At 30th September, 1984, the Group had interests, directly or in limited partnerships, of more than 10 per cent. in nominal value of the allotted share capital in the following classes but did not have interests of more than 20 per cent. in nominal value of the total allotted share capital of any company concerned, apart from the Armand Group Limited. All of these are incorporated and registered in Great Britain, apart from the Armand Group Limited, and Vickers da Costa Securities (Holdings) Inc., which are incorporated and registered in the State of Delaware, US and Peregrine Holdings Jersey Limited, which is incorporated and registered in Jersey. This table also incorporates percentage interests in the relevant class of share capital owned directly or through limited partnerships in the Group's ten largest investments by valuation at 26th November, 1984.

Company	Class of shares held	% of class
Agridata Resources Inc.	A Common stock	5.66
Armand Group Limited	A Preferred stock	80.00
Castle Mines Limited	Convertible cumulative participating preferred ordinary	13.94
Colour Marketing Services Limited	Cumulative participating preferred ordinary	20.00
DPCE Holdings plc	Ordinary	4.24
Emb-Tex Corporation	Common stock	5.00
Famous Names (Holdings) Limited	B Cumulative preferred ordinary	24.00
	Cumulative redeemable preference	20.00
Fenland Sheepskin Company Limited	B Ordinary	25.00
Gower Holdings plc	Ordinary	11.02
	Cumulative redeemable preference	13.88
Millbank Publishing Group Limited	Cumulative convertible participating preferred ordinary	10.00
Peregrine Holdings Jersey Limited	Ordinary	13.33
Security Holdings Limited	Convertible cumulative participating preferred ordinary	16.63
	Cumulative redeemable preference	16.67
Stone International plc	Ordinary	4.19
Technology Project Services (Holdings) Limited	Convertible cumulative participating preferred ordinary	16.00
Timpson Shoes Limited	Ordinary	6.55
Vickers da Costa Securities (Holdings) Inc.	Cumulative redeemable preference stock	100.00

In some cases, where the participation of management in the equity share capital is related to the achievement of target profits, the Group's ultimate percentage equity interest will depend on the performance of the company concerned.

At 30th September, 1984, the Company's active subsidiaries, all of which are wholly and directly owned, were:

Subsidiaries	Nature of business	Issued share capital
Candover Services Limited	Arrangement of investment syndications	£2
Candover-Pac (FL) Limited	Investment holding company	£100
Candover Realisations Limited	Investment dealing company	£100
Candover Overseas Investments (UI) Limited	Investment holding company	£100
Candover Investments (West Indies) Inc.	Investment holding company	US$1,225

The classes of share capital held in each case are £1 ordinary shares except for Candover Investments (West Indies) Inc. where US$1 ordinary shares are held. All of the above companies are incorporated in Great Britain and registered in England, with the exception of Candover Investments (West Indies) Inc. which is incorporated in the Turks and Caicos Islands.

8 Associated company
The Group and the Company have an interest of 50% in the ordinary share capital of Hoare Candover Limited. This company manages the Hoare Candover Exempt Fund and is incorporated in Great Britain and registered in England.

	Group share of net assets *£'000*	Company shares at cost *£'000*
At 1st January, 1984	—	—
Additions	1	1
Share of post-acquisition reserves	15	—
At 30th September, 1984	16	1

9 Debtors	Group £'000	Group £'000	Company £'000	Company £'000
Amounts falling due within one year				
—trade debtors	21		—	
—amounts owed by group companies	—		180	
—other debtors	590		575	
—prepayments and accrued income	85		47	
		696		802
Amounts falling due after more than one year				
—prepayments and accrued income		9		—
		705		802

Included in other debtors, in respect of the Group and the Company is £574,000 relating to amounts receivable in connection with the liquidation of The Union Ice Company.

10 Current asset investments	Group Cost £'000	Group Market value £'000	Company Cost £'000	Company Market value £'000
Listed investments	82	263	—	—
Unlisted investments	1,241	1,255	1,120	1,120
	1,323	1,518	1,120	1,120

11 Creditors falling due within one year	Group £'000	Company £'000
Amounts owed to group companies	—	142
Current taxation	800	643
Social security and other taxes	18	—
Accruals and deferred income	115	46
	933	831

12 Creditors falling due after more than one year	Group £'000	Company £'000
Unsecured Loan Notes 2005 (to be converted into Ordinary Shares conditional on the Company's listing)	3,000	3,000

13 Share capital	Authorised £'000	Allotted, called up and fully paid £'000
'A' Ordinary Shares of £1 each	130	120
'B' Ordinary Shares of £1 each	45	45
	175	165

14 Share-premium account and reserves Movements during the period under review have arisen as follows:	Share premium £'000	Capital reserve £'000	Profit and loss account £'000
GROUP			
Retained profits	—	—	180
Surplus on revaluation of investments	—	5,346	—
Investments realised	—	3,513	—
Corporation tax on chargeable gains	—	(706)	—
Exchange differences	—	166	—
Premium on allotments	11	—	—
At 30th September, 1984	11	8,319	180
COMPANY			
Retained profits	—	—	168
Transferred from subsidiaries	—	1,324	—
Surplus on revaluation of investments	—	4,096	—
Investments realised	—	3,504	—
Corporation tax on chargeable gains	—	(705)	—
Exchange differences	—	37	—
Premium on allotments	11	—	—
At 30th September, 1984	11	8,256	168

15 Capital commitments	Group and Company £'000
Contracted for but not provided	17
Authorised by the directors but not contracted for	158
	175

16 Contingent liabilities

There are potential tax liabilities in respect of corporation tax on unrealised capital gains on investments of £1,917,300 for both the Group and the Company.

The Company has agreed with Electra Investment Trust PLC ("Electra") that it will bear 50% of any liability incurred by Electra in respect of an indemnity which Electra has given to secure a US$1,500,000 loan to a Californian limited partnership in which Candover, Electra and Mr R H Chappell have an interest.

The Company is liable to purchase at original cost certain investments made by the Hoare Candover Exempt Fund representing 7·5% of that fund's equity shareholding in investee companies within five years from completion of the investment or at the time of termination of that fund, whichever is the earlier.

The Company has been advised of a potential liability to US taxation arising from the liquidation of The Union Ice Company. The directors have been informed by the official responsible for the liquidation that reserves established by him are sufficient to meet all known claims and they therefore consider to be remote the possibility that any further US tax liability will fall on the Company.

Candover has entered into a commitment, subject to contract, to invest not more than £350,000 in a new company which may be formed to undertake a possible buy-out.

Yours faithfully,

Peat, Marwick, Mitchell & Co. **Thornton Baker**

Statutory and general information

1 Share capital

(a) Candover was registered in England and Wales on 12th August, 1980 as a private company under the Companies Acts 1948 to 1976 (No. 1512178) with an authorised share capital of £110,000 divided into 70,000 'A' Ordinary Shares of £1 each, 30,000 'B' Ordinary Shares of £1 each and 10,000 Undesignated Shares of £1 each.

(b) On 7th December, 1982, the authorised share capital of Candover was £165,000 divided into 116,500 'A' Ordinary Shares of £1 each, 45,000 'B' Ordinary Shares of £1 each and 3,500 Undesignated Shares of £1 each, of which all the 'A' and 'B' Ordinary Shares were issued and fully paid.

During the two years preceding the date of this document, the following issues of Undesignated Shares, as 'A' Ordinary Shares of £1 each, have been made, in each case fully paid for cash:

Date	Number of shares	Allottee	Price per share
21st April, 1983	1,500	P G Wreford	£3
21st April, 1983	450	P G Symonds	£3
12th October, 1983	250	H A Hicks	£5
12th October, 1983	250	D P Murphy	£5
12th October, 1983	250	Myrneen Limited	£5
3rd April, 1984	800	G D Fairservice	£6
	3,500		

Pursuant to a resolution passed on 24th July, 1984, the authorised share capital was increased to £175,000, so as to comprise 130,000 'A' Ordinary Shares of £1 each and 45,000 'B' Ordinary Shares of £1 each, of which all except for 10,000 'A' Ordinary Shares were issued and fully paid.

(c) On 27th November, 1984, Candover was re-registered as a public limited company.

(d) On 6th December, 1984, an agreement ("Loan Note Conversion Agreement") was entered into between the companies referred to in paragraph 2 (b) below, The Fleming Enterprise Investment Trust PLC, Murray Growth Trust Plc, Murray International Trust Plc, Murray Income Trust Plc, Murray Smaller Markets Trust Plc and Candover, conditional upon the ordinary share capital of Candover being admitted to the Official List, whereby each of the said companies agreed that its holding of Loan Notes of Candover would be converted into fully paid Ordinary Shares of 25p each of Candover at the rate of 0·625 Ordinary Shares for each £1 nominal of Notes held.

On satisfaction of the condition referred to above, pursuant to the Loan Note Conversion Agreement, 1,875,000 Ordinary Shares of 25p each will fall to be issued, credited as fully paid (at 83.2p per share, inclusive of the amount of premium) on conversion of £3,000,000 nominal of the Loan Notes of Candover.

By or pursuant to Resolutions passed at an Extraordinary General Meeting held on 5th December, 1984, conditionally upon the share capital of Candover being admitted to the Official List by the Council of The Stock Exchange not later than 31st December, 1984 *(inter alia)*:

(i) each 'A' Ordinary Share of £1 and each 'B' Ordinary Share of £1 was converted into and redesignated as an Ordinary Share of £1;

(ii) the authorised share capital of the Company was increased from £175,000 to £2,385,000 by the creation of 2,210,000 new Ordinary Shares of £1 each;

(iii) each Ordinary Share of £1 (both issued and unissued) was sub-divided into four Ordinary Shares of 25p each;

(iv) subject to the share premium account being credited as a result of the conversion of Loan Notes referred to above, 4,620,000 Ordinary Shares of 25p each were allotted credited as fully paid to the existing holders of Ordinary Shares by way of capitalisation of £1,155,000 (being, as to part, the amount so credited to the share premium account and, as to the remainder, part of the amount standing to the credit of the Company's realised capital reserves);

(v) the directors were generally and unconditionally authorised, pursuant to Section 14 of the Companies Act 1980, for a period of five years from 5th December, 1984, to allot relevant securities (as defined in that Section) up to a maximum nominal amount which (after the allotment of Ordinary Shares pursuant to the Loan Note Conversion Agreement) is equal to £596,250;

(vi) the directors were empowered until the conclusion of the Annual General Meeting in 1985 to allot equity securities (as defined in Section 17 of the Companies Act 1980) pursuant to the authority referred to in (v) above as if Section 17(1) of the Companies Act 1980 did not apply to the allotment, provided that such power is limited to the allotment of equity securities:

(a) in connection with a rights issue in favour of the holders of Ordinary Shares (notwithstanding that by reason of such exclusions or other arrangements as the directors may deem necessary or desirable to deal with problems arising in any overseas territory, in connection with fractional entitlements, record dates or otherwise howsoever, the equity securities to be allotted are not offered to all of such holders in proportion to the number of Ordinary Shares held by each of them); and

(b) (otherwise than pursuant to (a) above) up to an aggregate nominal amount which (after the allotment of Ordinary Shares pursuant to the Loan Note Conversion Agreement) is equal to £119,250; and

(vii) it was resolved that, notwithstanding the provisions of the Company's Articles of Association, any expenses of or incidental to the placing may, on or prior to 31st December, 1984, be charged against any realised capital profits or reserves of the Company and accordingly any realised capital profits need not be credited to the capital reserve fund of the Company to the extent that any such expenses are so charged against them.

(e) Save as disclosed in this paragraph 1 and in paragraphs 4, 7(e) and 9, during the two years immediately preceding the date of this document no share or loan capital of Candover or of any subsidiary has been issued or agreed to be issued, or is now proposed to be issued (other than to Candover or any subsidiary) for cash or any other consideration and no commissions, discounts, brokerages or other special terms have been granted by Candover or by any subsidiary in connection with the issue or sale of any such capital.

(f) Save as disclosed in paragraph 4 below, no share or loan capital of Candover or any of its subsidiaries is under option or is agreed, conditionally or unconditionally, to be put under option.

(g) No material issue of shares (other than consequent upon an offer to shareholders pro rata to their existing shareholdings) will be made by Candover within one year of the date of this document without the prior approval of Candover in General Meeting.

(h) Following the placing, 2,385,000 Ordinary Shares of 25p each will remain unissued (of which part will be required for the exercise of options as referred to in paragraph 4 below). No issue of shares will be made by Candover which will effectively alter its control or the nature of its business without the prior approval of Candover in General Meeting.

2 Directors' and other interests

(a) Immediately following completion of the placing the interests of the directors and their families (all of which are beneficial) in the share capital of the Company as they will appear in the register maintained under the provisions of the Companies Act 1967, will be as follows:

Director	Ordinary Shares	Per cent
P G Wreford	48,000	0.67
C R E Brooke	731,840	10.23
S W Curran	251,840	3.52
H A Hicks	32,000	0.44
R A P King	—	—
M C Stoddart	6,000	0.08
L V D Tindale	—	—

M C Stoddart is purchasing, under the placing arrangements, the 6,000 Ordinary Shares referred to above.

In addition C R E Brooke and S W Curran hold options, as shown in paragraph 4, and are eligible to be granted further options under the Candover Executive Share Option Scheme ("the Scheme").

(b) The directors have been notified of the following interests which, (in addition to that of C R E Brooke shown above) immediately following completion of the placing, will amount to 5% or more of the issued ordinary share capital of Candover:

Member	Ordinary Shares	Per cent
Electra Investment Trust PLC	891,022	12.45
Globe Investment Trust PLC	891,022	12.45
The Prudential Assurance Company Limited	498,424	6.97
The British Petroleum Pension Trust Limited	448,581	6.27
Investors in Industry PLC	448,581	6.27

(c) In addition, four investment trust companies managed by Murray Johnstone Limited will, following the placing, hold in aggregate 548,266 Ordinary Shares, representing 7.66% of the issued ordinary share capital.

(d) Save for the above interests, the directors are not aware of any other shareholding which, after completion of the placing, is expected to amount to 5% or more of Candover's issued share capital.

(e) The aggregate emoluments, including pension contributions but excluding options under the Scheme, of the directors in respect of the eighteen months ended 31st December, 1983 were £225,507. The aggregate emoluments, including pension contributions but excluding options under the Scheme, of the directors in respect of the year ending 31st December, 1984 are estimated to be £168,649 under the arrangements in force at the date of this document.

(f) None of the directors has or has had any direct or indirect interest in any assets which, during the two years immediately preceding the date of this document, have been acquired or disposed of by or leased to Candover or any of its subsidiaries or are proposed to be acquired or disposed of by or leased to Candover or any of its subsidiaries.

(g) Save as disclosed in paragraphs 3 and 9 below, none of the directors has any direct or indirect material interest in any contract or arrangement subsisting at the date hereof which is significant in relation to the business of Candover or any of its subsidiaries taken as a whole.

(h) M C Stoddart is the Chief Executive and Deputy Chairman of Electra Investment Trust PLC and a director of Globe Investment Trust PLC. L V D Tindale is Deputy Chairman of Investors in Industry PLC.

3 Directors' service agreements

C R E Brooke and S W Curran have entered into service contracts with Candover Services Limited (a subsidiary of the Company) terminable by either party on not less than 24 months' notice, with current annual salaries of £60,000 and £45,000 respectively; in addition Candover Services Limited currently contributes 22.2% of Mr Brooke's salary and 18.9% of Mr Curran's salary towards their respective pension arrangements and pays life and health insurance premiums of £3,770 p.a. and £1,430 p.a. for Mr Brooke and Mr Curran respectively (although Candover Services Limited has reserved the right to vary these payments). Save as aforesaid, there are no existing or proposed service or services contracts between any of the directors and the Company or any of its subsidiaries other than contracts expiring, or determinable by the Company or any subsidiary without payment of compensation (other than statutory compensation) within one year.

4 The Candover Executive Share Option Scheme

The principal provisions of the rules of the Scheme, which were adopted pursuant to a resolution of the Company in General Meeting passed on 24th July, 1984 and varied pursuant to a resolution passed on 5th December, 1984 are summarised below.

(a) Offers of participation may be made in respect of Ordinary Shares to such full-time executives (including executive directors) as the directors shall in their absolute discretion select.

(b) The maximum number of Ordinary Shares in respect of which options under the Scheme may be granted (when aggregated with options granted over the preceding ten years pursuant to any other share option scheme (other than a savings related scheme)) is 536,625 Ordinary Shares or such greater number as may be approved by the Company in General Meeting, not exceeding 5% of the issued ordinary share capital of the Company. Subject to that limit, the directors have the right to grant options in respect of any number of Ordinary Shares, provided that the number of Ordinary Shares in respect of which options may be granted at any particular date shall, *inter alia*, (when aggregated with all Ordinary Shares appropriated for issue under any other share scheme during the preceding ten years) not exceed 10% of the Company's issued ordinary share capital from time to time and further (when aggregated with all Ordinary Shares appropriated for issue under any other share scheme during any three year period) shall not exceed 3% of the issued ordinary share capital from time to time.

(c) No payment is required as consideration for or on the grant of options which may normally only be granted within six weeks after the date of public announcement of the annual or half-yearly results of the Company and its subsidiaries, save that no option may be granted after 25th July, 1994. Options, which may not be transferred or assigned, will not be exercisable before the expiry of three years from the date of grant (except in the case of the death of the option holder or in certain other circumstances including a takeover of the Company) and will not be exercisable during periods referred to in The Stock Exchange Model Code for Securities Transactions by Directors as being periods during which dealings should not take place. Options will normally lapse at the end of ten years from the date of grant but will also lapse 12 months after the death of the option holder or in certain other circumstances including, *inter alia*, cases where the option holder ceases to be a full-time executive of the Company.

(d) The subscription price at which holders of options may acquire shares shall be determined by the directors on or before the date of grant of an option but shall not be less than the greater of:

(i) the nominal value of the Ordinary Shares in respect of which the option is granted; and

(ii) prior to the admission of the ordinary share capital of the Company to the Official List by The Council of The Stock Exchange, an amount as determined by the auditors for any date being not more than 21 days before the date on which the options are offered; and thereafter, the average of the middle market quotations for those Ordinary Shares, based on The Stock Exchange Daily Official List, for the three dealing days immediately preceding the date of offer of such options.

(e) No executive may be granted options at any particular time to the extent that the subscription price thereof, when aggregated with:

(i) the value (at their subscription prices) of any Ordinary Shares already acquired, or remaining to be acquired, by him on exercise of options granted under the Scheme during the preceding ten years; and

(ii) the value (at their subscription prices) of shares of the Company already acquired or remaining to be acquired by him pursuant to rights granted to him during the preceding ten years under any other share option scheme (not being a savings related scheme)

exceeds 4 times the executive's emoluments at that time.

(f) The Scheme contains provisions, *inter alia*, for the number of shares which may be issued under the Scheme, the number of shares comprised in any options already granted and the subscription price payable for each such share to be adjusted in the event of certain variations in the share capital of the Company.

(g) The directors have the power to amend the rules of the Scheme and in particular to ensure that it qualifies as an approved scheme under any legislation for the time being in force relating to approved share option schemes, provided that no amendment of the basic structure of the Scheme (including the basis of calculations of the subscription price, the total number of shares available under the Scheme and the maximum number of shares that may be subject to options granted to any one participant) may be made without the prior approval of the Company in General Meeting.

Options under the Scheme were granted on 7th August, 1984 to the following (adjusted for the effects of the Capital Reorganisation referred to in paragraph 1(d) above):

Name	No. of Ordinary Shares
C R E Brooke	57,600
S W Curran	6,400
G D Fairservice	16,000
P G Symonds	16,000
S M Alexander	16,000

The consideration for the grant of options to each of the above persons was £1 in aggregate per person and the subscription price (adjusted for the effects of the capital reorganisation) is 62.5p per Ordinary Share of 25p.

The addresses of Messrs Fairservice, Symonds and Alexander are 4-7 Red Lion Court, London EC4A 3EB.

5 Articles of Association

The Articles of Association of the Company contain, *inter alia*, provisions to the following effect:

Voting

On a show of hands every member present in person shall have one vote and on a poll every member shall have one vote for each share of which he is the holder.

Variation of Rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class or any of such rights may whether or not the Company is being wound up, be modified, abrogated or varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of an Extraordinary Resolution passed at a separate general meeting of the holders of the shares of the class.

The rights attached to any class of shares shall, unless otherwise expressly provided by the terms of issue of the shares of that class or by the terms upon which such shares are for the time being held, be deemed not to be modified, abrogated or varied by the creation or issue of further shares ranking *pari passu* therewith.

Directors

(i) The directors shall not be required to hold any qualification shares.

(ii) The directors shall be paid by way of fees for their services as directors such sums (if any) as the directors may from time to time determine (not exceeding in the aggregate an annual sum of £60,000 or such larger amount as the Company may by Ordinary Resolution determine) and such remuneration shall be divided between the directors as they shall agree or, failing agreement, equally.

The directors may also be paid all reasonable expenses properly incurred by them in connection with the business of the Company.

A director may be a director or other officer, servant or member of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such director shall be accountable to the Company for any remuneration or other benefits received or receivable thereby from such other company.

Any director who is appointed to any executive office or who serves on any committee or who devotes special attention to the business of the Company, or who otherwise performs services which, in the opinion of the directors, are outside the scope of the ordinary duties of a director, may be paid such extra remuneration as the directors may determine.

The directors may pay pensions and other benefits to, *inter alios*, any director, or ex-director and his or her dependants.

(iii) No director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with the Company. Subject to the provisions of Part IV of the Companies Act 1980 and save as therein provided no contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any director is interested, whether directly or indirectly, shall be liable to be avoided, nor shall any director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit realised thereby by reason of such director holding that office or of the fiduciary relationship thereby established, but he shall declare the nature of his interest to the Board. Save as provided in the Articles in respect of certain specified matters, a director shall not vote in respect of any contract, arrangement, transaction or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

A director shall not vote or be counted in the quorum on any resolution concerning his own appointment as the holder of any office or place of profit with the Company or any company in which the Company is interested including fixing or varying the terms of his appointment or the termination thereof.

Subject to the provisions of the Companies Acts, the Company may by Ordinary Resolution suspend or relax the provisions described in this sub-paragraph (iii) to any extent or ratify any transaction not duly authorised by reason of a contravention thereof.

(iv) The provisions of Section 185 of the Companies Act 1948, which regulate the appointment and continuation in office of directors who have attained the age of seventy, shall apply to the Company.

Borrowing powers

(i) The directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and, subject to the provisions of the Companies Acts, to issue debentures and other securities, whether outright or as security for any debt, liability or obligation of the Company or of any third party.

(ii) The directors shall restrict the borrowings of the Company and exercise all voting and other rights and powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (so far, as regards subsidiaries, as by such exercise they can secure) that the aggregate amount (for the time being outstanding of all moneys borrowed (as such expression is described in the Articles) by the Group (as defined in the Articles) and for the time being owing to persons outside the Group shall not at any time, without the previous sanction of an Ordinary Resolution, exceed a sum equal to one and one half times the adjusted share capital and reserves (as described in the Articles).

Capital Reserve Fund

Every profit resulting from any dealing with, realisation, valuation or revaluation of any investment or other capital asset of the Company or of any liability of the Company which has been incurred in the acquisition or financing of a capital asset (except to the extent that such profit is used to reduce the book value of the whole or any part of the remainder of the capital assets) and all other capital profits shall be credited to a capital reserve fund to be maintained by the Company. Every loss (including any taxation) resulting from any such dealing, realisation, valuation or revaluation as aforesaid and any other capital loss may be charged against such capital reserve fund or against any other funds of the Company, or partly in the one way and partly in the other. The sum standing to the credit of the capital reserve fund shall not in any circumstances be available for distribution as dividend or otherwise for distribution (within the meaning of Section 45(2) of the Companies Act 1980) but, subject as aforesaid, may be employed and dealt with in such manner as the directors shall think fit.

6 Taxation

Candover is resident in the UK for tax purposes. It is not a close company.

The Board intends to manage the affairs of Candover so that it will qualify as an investment trust within the meaning of Section 359, Income and Corporation Taxes Act 1970. A company which is a qualifying investment trust is not liable to corporation tax on capital gains.

The conditions which Candover intends to satisfy from 1st January, 1985 in order to qualify for investment trust status are broadly as follows:

(a) the income of Candover will be derived wholly or mainly from shares or securities;

(b) no holding in a company will at the time of the latest investment in that company represent more than 15% by value of Candover's investments;

(c) the distribution as dividend of surpluses on the realisation of investments will be prohibited by Candover's Articles of Association;

(d) Candover will not retain in respect of any accounting period more than 15% of its income from shares and securities.

The Inland Revenue has confirmed that the provisions of Section 460, Income and Corporation Taxes Act 1970, will not be applied to the relevant transactions set out in this document.

7 General

(a) Save as disclosed herein, there has been no material change in the financial position of Candover since 30th September, 1984.

(b) The directors are aware of certain indications that consideration was being given as to whether there were grounds for making a claim against Candover and its Chief Executive in relation to matters which were the subject of proceedings in the US courts involving a US company in which Candover formerly held an investment. Candover is not a party to those proceedings and no claim has been made following these indications. The directors have been advised, on the information currently available, that any such claim would not succeed. Subject as aforesaid, the directors are not aware of any litigation or claims of material importance pending or threatened against Candover or any of its subsidiaries.

(c) Peat, Marwick, Mitchell & Co. and Thornton Baker have given and have not withdrawn their respective written consents to the issue of this document with the inclusion herein of their report and the references thereto and to them in the form and context in which they are included.

(d) Mr D P Murphy retired as a director in November, 1984 having recently transferred his residence to Jersey. Mr Murphy had served as a director since July, 1981.

(e) The costs, charges and expenses of the placing and of the application to the Council of The Stock Exchange for listing Candover's share capital are estimated to amount to £280,000 inclusive of VAT, all of which is payable by Candover.

(f) C R E Brooke, Electra Investment Trust PLC ("Electra") and Globe Investment Trust PLC ("Globe") are promoters of the Company. In respect of the 18 month financial period ended 31st December, 1983, the remuneration, including pension contributions and the benefit of the use of a motor car (calculated for taxation purposes), of Mr Brooke was £106,293. The relevant figure for the 12 month period ending 31st December, 1984, is estimated to be £74,525. Electra and Globe have each received dividends on their shareholdings in Candover during the two years prior to the date of this document amounting to £12,705. In respect of the current financial year, it is expected that dividends of £12,474 will be paid to each of them and a dividend of £7,571 will be paid to Mr Brooke.

Electra and Globe have each received interest on their holdings of Loan Notes during the two years *prior to the date of this document amounting to £72,000 (gross).*

Under the Loan Note Conversion Agreement referred to in paragraph 1, Electra and Globe will each convert their respective holdings of £600,000 Loan Notes into 375,000 Ordinary Shares of 25p each and will receive interest on their holdings at 6% per annum in respect of the period from 1st July, 1984 down to and including the date on which the ordinary share capital of Candover is admitted to the Official List.

Electra has paid a subsidiary of Candover, during the two years prior to the date of this document, consultancy fees of £2,835, exclusive of VAT, in respect of investigation work.

(g) The copies of this document delivered to the Registrar of Companies for registration had attached thereto the written consents referred to in paragraph 7 (c) above, copies of the material contracts referred to below and copies of the placing letter and form of acceptance.

(h) The financial information contained in this document does not amount to full accounts within the meaning of Section 11 of the Companies Act 1981. Full accounts, relating to each financial period of the Company to which the information contained in the Accountants' report relates, up to and including 31st December, 1983, have been delivered to the Registrar of Companies. The auditors have made a report under Section 14 of the Companies Act 1967 in respect of each such set of accounts and each such report was unqualified (within the meaning of Section 43 of the Companies Act 1980).

(i) It is the intention of the directors so to conduct the affairs of the Company from 1st January, 1985 that it satisfies the requirements for qualification as an investment company laid down in Section 41 of the Companies Act 1980 and the Company will give notice to the Registrar of Companies of its intention to carry on business as an investment company pursuant to that Section.

(j) The Company will not be listed as an investment trust by The Stock Exchange.

(k) Since no new shares are being issued for cash under the placing, no amounts are receivable by the Company. No amount is required to provide for any of the matters referred to in Paragraph 4 of Part 1 of the Fourth Schedule to the Companies Act 1948.

8 Material contracts

The following contracts, which may not be contracts entered into in the ordinary course of business, have been entered into by the Company and its subsidiaries within the two years immediately preceding the date hereof and are, or may be, material:

(a) dated 7th March, 1984 between (1) Alliance Assurance Company Limited and (2) the Company being the Option Agreement referred to above under "Hoare Candover", together with the trust deed constituting the Hoare Candover Exempt Fund referred to therein;

(b) dated 30th November, 1984 between the Company and Electra Investment Trust PLC ("Electra") under which the Company indemnified Electra as referred to in Note 16 to the Accountants' report above;

(c) dated 6th December, 1984, being the Loan Note Conversion Agreement, described in paragraph 1(d) above;

(d) dated 6th December, 1984, being the Placing Agreement, described in paragraph 9 below.

9 Placing Agreement

Pursuant to an agreement dated 6th December, 1984 between (1) the directors, (2) the Vendors (as described below), (3) Candover and (4) Cazenove & Co., Cazenove & Co. has agreed, subject to the Council of The Stock Exchange having admitted the whole of the share capital of the Company to the Official List on or before 12th December, 1984, to purchase from the Vendors 1,788,750 Ordinary Shares of 25p each in the capital of the Company at a price of 159p per share and to despatch placing letters on 7th December, 1984 to such persons as Cazenove & Co. may determine offering the placing shares for sale at the placing price.

The Vendors referred to above and the number of shares respectively to be sold by them are:

S M Alexander (3,500), The British Petroleum Pension Trust Limited (179,619), C R E Brooke (64,000), S W Curran (32,000), Mr S W and Mrs A B Curran (48,000), Electra Investment Trust PLC (356,778), G D Fairservice (2,400), The Fleming Enterprise Investment Trust PLC (119,746), Globe Investment Trust PLC (356,778), Mrs A Murray (24,000), Investors in Industry PLC (179,619), Murray Growth Trust Plc (89,809), Murray Income Trust Plc (40,820), Murray International Trust Plc (69,852), Murray Smaller Markets Trust Plc (19,053), The Prudential Assurance Company Limited (199,576), P G Symonds (3,200).

10 Documents available for inspection

Copies of the following documents will be available for inspection at the offices of Ashurst, Morris, Crisp & Co., Broadgate House, 7 Eldon Street, London EC2M 7HD during normal business hours on any week day (Saturdays and public holidays excepted) up to and including 21st December, 1984:

(a) the Memorandum and Articles of Association of Candover;

(b) the Rules of the Candover Executive Share Option Scheme;

(c) the audited consolidated accounts of Candover and its subsidiaries for the 12 months ended 30th June, 1982, for the 18 months ended 31st December, 1983 and for the 9 months ended on 30th September, 1984;

(d) the Accountant's report;

(e) the written consents referred to above;

(f) the service contracts referred to in paragraph 3 above; and

(g) the material contracts referred to in paragraph 8 above.

Dated

7th December, 1984

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BUILDING

Brighter Tubes

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

Bovis has won a precontract for a £12m modernisation programme for London's Holborn underground station, near the British Museum.

Work on the contract—which the company won in competitive tender—will start in January for completion in four years' time.

The Holborn modernisation includes refurbishing four platforms — and brightening them with murals showing scenes from the British Museum—and updating three deep escalators.

Bovis has also won a £5m contract to modernise the Embankment underground station near Trafalgar Square. Work will start in January and take 25 months. Both Holborn and Embankment stations will remain open throughout.

The company is already working on an £8m modernisation of Piccadilly underground station and a £1.2m refurbishment at Shepherds Bush underground.

These contracts form part of London Transport's £90m-plus 10-year station modernisation programme, due to be completed in 1992. Contracts awarded so far include the £5m modernisation package at Oxford Circus, Tottenham Court Road and Bond Street stations being carried out by Higgs and Hill, and French Kier's work on the £2m modernisation at Marble Arch.

The Holborn and Embankment contracts are two of the last major contracts to be let, said Mr Mike Emmerson, the London Regional Transport project architect.

"The programme has radiated out from the central stations because they can generate more money when they are modernised, and we have now let most of the central stations so the bulk of the money has been allocated," he said.

Wallis has £11m order

G. E. WALLIS & SONS has the £3.5m contract for 154 flats at Royal Terrace, Hastings, for Hastings Borough Council. Other Walis contracts include refurbishment of a 60's office block in Richmond for English Assurance (£2m); refurbishment of Cliffords Court, EC4, for Tandalco Corporation (£1.5m); extension to the Duffryn House Conference Centre, Cardiff (£0.9m); roof repairs to the east and west wings of the National Maritime Museum (£0.8m); upgrading four hospital wards at the Prince of Wales Hospital, Cardiff (£0.76m); an office block at Finchley for Regent Hire and Services Garages (£0.64m) and 15 separate contracts for branch improvements for the National Westminster Bank.

★

CROWN HOUSE ENGINEERING, Croydon, won contracts worth together over £8m. Principal contributors are: total mechanical, electrical and plumbing services for the new Holiday Inn at Cardiff (£1.7m); electrical and instrumentation services for British Nuclear Fuels, Sellafield (£1.1m); electrical services installation at Harrogate for the PSA (£1.2m); and mechanical services for the two new rapid transit stations at Gatwick Airport (£781,000).

★

Contracts worth more than £7m have been awarded to KYLE STEWART for refurbishment and rebuilding projects in London. At Griffith House, Old Marylebone Road, a £4m management contract has been awarded by London Transport Executive for refurbishment of a four-storey office building with associated workshops, for completion in late 1985. Extensions and rebuilding of a TAVR depot at Merton Road, Southfields, worth almost £2m, are under way, and at Garrick Road, Hendon, extensions and alterations to warehouse units are to be carried out for the Wallis Fashion Group under a phased contract worth about £1.2m.

Trentham busy with £9m work

G. PERCY TRENTHAM has work totalling about £9m. At Bridgend, for Condor Project Wales, worth over £1.75m, civic offices, council chamber and day centre for the elderly, together with car parking at basement level, access and service roads. Completion is scheduled for July 1986. For Haslemere Estates at Lewisham, five industrial units with internal and external offices. The contract is worth £0.75m and completion is due in July 1985. Nearly £3m of design and construct at Farnborough, Hampshire, for Municipal Mutual Insurance comprising seven industrial units with office accommodation and external works. Overall completion date is December 1985. Classrooms, link-block and music department together with play space and alterations to existing building (£400,000) for the governors, St John Fisher RC School, Newcastle under Lyme. At Redruth for Pall (Europe) at over £3m, about 9,300 sq metres of factory unit and external works due to be completed in November 1985.

GEORGE DEW has work valued at more than £9m. This includes an aeration plant at Bury sewage treatment works for North West Water Athority worth £1.3m; repairs to Eastham Lock, Ellesmere Port for Manchester Ship Canal Company at £579,000 and a reservoir for the water suply at the airport for Manchester International Airport Authority at £354,000. A letter of intent has been received from the Western Isles Islands Council for a £1.6m contract for the conversion of Lochmaddy Pier, North Uist, to roll-off operation. The company has started work on a £1m speculative development of 14 industrial/warehousing nursery units at Durkins Road industrial estate, East Grinstead.

★

Only two weeks after the formation of the GA GROUP (formerly Gilbert Ash) the directors who purchased the company in one of Scotland's largest management buy-outs have won contracts worth over £9m. These include advance factories for Glenrothes Development Corporation: a medical/dental clinic for the Department of Environment; a hospice at Airdrie: tenement refurbishment for Glasgow District Council; and construction of a supermarket.

APPOINTMENTS

Mather & Platt chairman

Mr John S. Curtis has been appointed chairman of MATHER & PLATT, after seven years in other senior posts within Mather & Platt's Australian holding company—Wormald International.

★

Mr Charles Curry has been appointed managing director of GSE RENTALS, a subsidiary of Resource Technology. Mr Curry joins from Microlease, where he has been marketing manager since 1981.

★

Mr Michael J. Dyer has been appointed director of technical services by the ELECTRICAL CONTRACTORS' ASSOCIATION. He was previously engineering and marketing manager with Ediso Halo Lighting.

★

BARKER & DOBSON GROUP has appointed Mr J. S. Drummond a director. He was appointed a director of the wholly owned retail subsidiary Lewis Meeson, on October 15, 1979.

★

GRAMPIAN TELEVISION has appointed Mr Douglas F. Hardie to its board. Mr Hardie is chairman of H. & A. Scott, Dundee and Glenrothes Indsutrial Textile Manufacturers. He is also deputy chairman of the Scottish Development Agency.

★

LONDON MERCHANT SECURITIES has made appointments to the boards of various subsidiary companies; at British Commercial Property Investment Trust Mr E. G. Miller, director and Mr M. Newman, associate director; at Central London Commercial Estates Mr Newman, director; and at L.M.S. Services Mr Dß J. Pithers and Mr J. E. Venables, directors.

★

Mr Geoffrey F. Chapman has been appointed managing director and chief executive of UTILUX (UK), a subsidiary of the Utilux Pty Group, Australia. He was group maaging director of Magnatex Holdings.

Parliamentary diary

TODAY

Commons: Representation of the People Bill, Second Reading. Motion on the Local Government (Interim Provisions) Act 1984 (Appointed Day) Order.

Lords: Debate on a motion "that this House, having considered the views of the people of Hong Kong as set out in the reports of the Assessment Office and the Indepenednt Monitoring Team published in White Papper, Comand 9407, aproves the Government's intention to sign the agreement on the future of Hong Kong negotiated with the Chinese Government which was published in White Paper Command 9352. Unstarred question on the withdrawal of the pound note.

Select Committees: Home Affairs: Sub-Committee on race Relations and Immigration — Refugees. Witnesses: Vietnamese Refugees (Room 6, 4.15 pm): Treasury and Civil Service — Long-term trends in resources and public expenditure. Witnesses: Dept of the Environment officials (Room 15, 4.30 pm).

Public Accounts — National Health Service dental services. Witnesses: Sir Kenneth Stowe, DHSS; Mr W. R. Reid, Scottish Home and Health Dept. Sir Trevor Hughes, Welsh Office (Room 16, 4.45 pm).

TOMORROW

Commons: Debate on EEC documents on the draft General Budget for 1985, when the White Paper on developments in the Community, January to June 1984, will be relevant. Motions on the International Development Association (Seventh Replenishment) Order and on the International Bank for Reconstruction and Development (1984 Selective Capital Increase) Order.

Lords: Highland Regional Council (Uig Pier, Skye) Order Confirmation Bill, Consideration of Report. Lochmaddy and East Loch Tarbert (Improvement of Piers) Order, Confirmation Bill Report. Friendly Societies Bill, Committee. Food and Environment Protection Bill, Committee. Pneumoconiosis etc (Workers' Compensation) (Payment of Claims) (Amendment) Regulations 1984, Motion for Approval.

Select Committees: Social Services —Winter supplementary estimates. NHS redundancy and early retirement payments. Witness: DHSS (Room 21, 10.00 am). Energy — Winter Supplementary Estimates in respect of the British National Oil Corporation. Witness: Rt Hon Alick Buchanan-Smith MP, Minister of State for Energy (Room 8, 4.00 pm).

Defence — Use of merchant shipping in support of the armed forces. Competition in MoD procurement. Witnesses: Rt Hon John Stanley MP, Armed Forces Minister, and David Mitchell MP, Transport Under-Secretary, Rt Hon Adam Butler MP, Minister for Defence Procurement (Room 16, 4.45 pm)

Procedure — Public Bill Procedure. Witnesses: Lord Kaberry of Adel and Mrs Renee Short MP (Room 15, 6.00 pm). Joint Committee on Statutory Instruments (Room 4, 4.15 pm); Private Bill Committee — Dartmoor Commons (Room 5, 11.00 am).

WEDNESDAY

Comons: Committee Stage of the Local Government Bill.

Lords: Debate on a motion that the House recognises the human misery and waste caused by unemployment; deplores the lack of government urgency in tackling the problem and calls for a statement of positive steps to be taken. Unstarred question on the steps the Government is taking to respond to the statement of the Chief Inspector of Prisons that many mentally ill are inappropriately confined to prison.

Select Committees: Foreign Affairs —Famine in Africa. Witnesses: War on Want (Room 6, 10.30 am); Scottish Affairs — Impact of airport privatisation on Scottish Lowland airports policy. Witness: British Airports Authority (Room 19, 10.30 am); Trade and Industry — Export Credits Guarantee Department. Witness: Rt Hon Paul Channon MP, Trade Minister (Room 16, 10.30 am).

Defence — Defence commitments and resources budgetary and manpower aspects. Witness: Sir Clive Whitmore and other MoD officials (Room 15, 10.45 am); Home Affairs — Special Branch. Witness: National Council for Civil Liberties (Room 20, 4.15 pm).

Public Accounts — Role and responsibilities of nominee directors. Witness: Sir Peter Middleton, HM Treasury (Room 16, 4.15 pm); Transport — Financing of public transport services. Witnesses: officials of the Transport Dept (Room 17, 4.15 pm).

Treasury and Civil Service—Financial and Economic Consequences of UK membership of the EEC. Witnesses: Newspaper Publishers' Association; Newspaper Society; The Publishers' Association; Institute for Fiscal Studies. (Room 6, 4.15 pm); Employment — Proposals for change in skill centres. Witness: Manpower Services Commission (Room 8, 4.30 pm).

Private Bill Committees—Dartmoor Commons (Room 5, 10.30 am); Unopposed Bills — London Transport (Tower Hill); Bournemouth Borough Council (Lords) (Room 9, 4.00 pm).

THURSDAY

Commons: Committee stage progress on Local Government Bill

Lords: Valerie Mary Hill and Alan Monk (Marriage Enabling) Bill, Second Reading. Highland Regional Council (Uig Pier) Order Confirmation Bill, Third Reading. Lochmaddy and East Loch Tarbert (Improvement of Piers) Order Confirmation Bill, Third Reading. Motions to approve the EUTELSAT (Immunities and Privileges) Order, Internal Lead and Zinc Study Group (Immunities and Privileges) (Amendment) Order; Inter-American Development Bank (Immunities and Privileges) (Amendment) Order. EEC (Definition of Treaties) (Undertaking on Supplementary Finance for the Community) Order, Motion for Approval.

Select Committees: Agriculture — Accession of Spain and Portugal to the EEC. Witness: Lea Valley Growers' Association (Room 16, 10.45 am); Committee on a Private Bill — Dartmoor Commons (Room 5, 10.30 am).

FRIDAY

Commons: Private Members' Motions.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Baltic Leasing Group, City of London Club, 19, Old Broad Street, EC, 11.00
Glaxo Hldgs, Dorchester Hotel, Park Lane, W, 12.00
New Cavendish Estates 24, Austin Friars, EC, 10.00

BOARD MEETINGS—
Finals:
City Site Ests
Dobson Park Inds
Dubilier
Durban Roodeport Deep
E Rand Proprietary Mines
Greenall Whitley
LPA Inds
Interims:
Baker Perkins
Blyvooruitzicht Gold Mng
Brown (N.) Invs
Cohen (A.)
Crown House
London and Oseas Freighters
Marling Inds
Norcros
Norton Opax
Preedy (Alfred)
Property Hldg and Inv Tst
Sheraton Secs
Triplex
Warehouse
Whitecroft

DIVIDEND & INTEREST PAYMENTS—
Allied Corp 45cts
Allied Irish Banks Fltg Rate Nts 1995 $632.73
Arcolectric 0.25p. A NV 0.25p
Dart and Kraft 1.06cts
Duport 0.35p
Ellis and Goldstein 0.85p
English National Inv Pf 4.65p. Dfd 2.2p
General Motors 125cts. Bdrs 62.5cts
Grace (W. R.) 70cts
Hewden-Stuart 0.525p
Intnl Business Machine Corp 1.1cts
Lockheed Corp 15cts
M&G Japan Smaller Cos Fd 0.1p
Marshalls Universal 0.25p
Mobil Corp 55cts
1928 Inv Tst 2p
Rockwell Intnl 25cts
Sears Hldgs 0.8p
Squibb Corp 40cts
Sun Co Inc 57.5cts
Texaco Inc 0.75cts
Toray Inds Y3. Bdr Y3
Travelers Corp 48cts
United Technologies 35cts
Warner-Lambert 37cts

TOMORROW

COMPANY MEETINGS—
London and Strathclyde Tst, 2, St Mary Axe, EC, 3.00
Low (William), Baird Avenue, Dryburgh Industrial Estate, Dundee, 12.00
Majedie Invs, Plantation House, 10-15, Mincing Lane, EC, 12.15
Martonair Intnl, Connaught Rooms, Great Queen Street, WC, 12.00
Photo-Me Intnl, Oatlands Park Hotel, Weybridge, Surrey, 6.00
Samuel Properties 100, Wood Street, EC, 3.00

BOARD MEETINGS—
Finals:
Cooper (Frederick)
Inn Leisure
Lake and Elliot
McCorquodale
McLeod Russel
Paytons (G. B.)
Wolverhampton and Dudley Brews
Interims:
Alphameric
Asscd British Eng
Berkeley Grp
DBE Technology
Elandsrand Gold Mng
Doornfontein Gold Mng
Drielontein Consd
Imp Cont Gas
Kloof Gold Mng
Libanon Gold Mng
Meyer Intnl
Parkfield
Smith Whitworth
Venterspost Gold Mng
Vlakfontein Gold Mng
Wight Collins Rutherford Scott

DIVIDEND & INTEREST PAYMENTS—
Hunting Gibson 2p
London County 5½pc 1985-87 2¾pc
Mid-Sussex Water 14pcRedDb 1986-88 7pc
Tenneco Inc 73cts

WEDNESDAY DECEMBER 12

COMPANY MEETINGS—
Audio Fidelity, La Plata House, 147, Sunbridge Road, Bradford, 10.00
Castle (G.B.), 51-52, Suttons Industrial Park, London Road, Earley, Reading, 12.00
London and Provincial Shop Centres, 28, South Street, W, 3.00
Pearce (C. H.), Parklands, Stoke Gifford, Bristol, 12.30
Town Centre Securities, Town Centre House, Merrion Centre, Leeds, 12.00

BOARD MEETINGS—
Finals:
Archimedes Inv Tst
Assoc Paper Inds
Baggeridge Brick
Baynes (Charles)
Burns-Anderson
Highland Distillers
NSS Newsagents
Pilkington Bros
Stakis
Tate and Lyle
Interims:
Anderson Strathclyde
Braithwaite Engs
Bulmer (H. P.)
Carter Consd
Fairey Stamping
Helical Bar
Jacksons Bourne End
Latham (James)
Northern Foods
Platon Intnl
UKO Intnl

DIVIDEND & INTEREST PAYMENTS—
Bank of Tokyo Gtd Fltg Rate Nts Dec 1991 $317.71
Citicorp Overseas Finance Gtd Fltg Rate Nts 1994 $30.97
Eaton Finance NV 12½pcLn 2014 $3700pc
Exchequer 12pc 2013-17 6pc
Framlington Overseas Inc and Growth Fd Ld Ptg Red Pf 1p
London and Strathclyde Tst 3p
MY Dart 0.25p
Majedie Invs 3.8p
Mexico Fund 12.5cts
Monsanto 57.5cts
Overseas Tst Bank Fltg Rate Br Nts 1990 $641.77
P and O Dfd 5p
Photo-Me Intnl 6.3p
Spring Ram Corp 1.1p
Treasury 12pc 1986 6pc
Treasury 10pc 1987 5pc

THURSDAY DECEMBER 13

COMPANY MEETINGS—
Berry Trust, 8, Devonshire Square, EC, 12.30
British Assets Tst, Caledonian Hotel, Princes Street, Edinburgh, 12.00
British Empire Sec and Gen Tst, Saddlers Hall, Gutter Lane, Cheapside, EC, 12.30
Gomme Hldgs, Spring Gardens, High Wycombe Bucks, 10.30
Murray Electronics, Great Eastern Hotel, Liverpool Street, EC, 10.30
North Atlantic Securities, 23, Great Winchester Street, EC, 2.45
Smart (J.) (Contractors), 28, Cramond Road South, Edinburgh, 12.00
Trident Computer Services, 38-44, Victoria Road, Farnborough, Hampshire, 12.30

BOARD MEETINGS—
Finals:
AE
Canvermoor
Carrs Milling Inds
Sidlaw
Vaux Brews
Interims:
Arlington Motor
Brit Bldg and Eng Appliances
British Steam Specialities
Porterfield-Harvey
Fuller Smith and Turner
Greene King
Greycoat City Offices
Haslemere Ests
Ingram (Harold)
London Merchant Secs
Mitchell Somers
Monk (A.)
RFD
Smith Bros
Stoddard
Thorpar
Ubigate

DIVIDEND & INTEREST PAYMENTS—
Banco Nacional De Desarrollo Fltg Rate Nts 1987 $64.18
European Asian Capital Gtd Fltg Rate Nts 1989 $320.89
Hungary (National Bank of) Fltg Rate Nts 1985 $320.89
Milletts Leisure Shops 2.95p

FRIDAY DECEMBER 14

COMPANY MEETINGS—
Bell (Arthur), Station Hotel, Perth, 12.15
Border and Southern Stockholders Trust, Winchester House, 77 London Wall, EC, 11.00
Britannia Security Group, Great Danes Hotel, Maidstone, Kent, 11.00
Cambrian and General Securities, Friendly House, 21-24, Chiswell Street, EC, 11.30
Electo Hldgs, Institute of Directors, 116, Pall Mall, SW, 12.00
Prestwich Hldgs, Midland Hotel, Peter Street, Manchester, 11.30
Wolseley-Hughes, Vines Lane, Droitwich, Worcs, 2.30

BOARD MEETINGS—
Finals:
Davenports Brewery
Hardys and Hansons
Utd Spring and Steel
Williams (John) of Cardiff
Interims:
Booth (John) (Bolton)
Cook (William) (Sheffield)
Dwek
Initial
Nesco Invs
Phoenix Timber
Tex Abrasives
Wassall (J. W.)

DIVIDEND & INTEREST PAYMENTS—
AECI 5½pc Cum Pf 5.5cts
AMF Inc 0.125cts
Agricultural Mortgage Corp 10½pc 1992-1995 5¼pc
Arbuthnot Yen Bond Fd Ptg Red Pf Y3
Berry Tst 1p
Billam (J.) 1.4p
Bradbury Wilkinson 6pc Cum Ptg Pf 3p
British Empire Sec and Gen Tst 0.7p
Causton (Sir Joseph) 0.9p
Comcap 0.4p
Conversion 9½pc 2002 4¾pc
Dana Corp 32cts
Emhart Corp 35cts
Fleming Far Eastern Inv Tst 0.5p
Free State Geduld Mines 104.36518p
GATX Corp 30cts
Gill and Duffus 4p
Graig Shipping 5p. A NV 5p
Hill (Philip) Inv Tst 3p
Insight Group 0.75p
Investment Co 2.02p
London Atlantic Inv Tst 1.85p
London Entertainments 2.12p
Lorin Electronics 0.5p
Louisiana Land and Exploration 25cts
National Australia Bank 12.5cts
Outwich Inv Tst 1p
PCT Group 1.6p
Portsmouth & Sunderland Newspapers 1p
President Brand Gold Mining 90.75233p
President Steyn Gold Mining 108.90280p
Seagram 20cts
Shiloh 0.75p
Steel Brothers Hldgs 4p
Thomas Nationwide Transport 3cts
Treasury 9½pc Cnv 1988 4¾pc
Treasury 10½pc 1989 5¼pc
United Ceramic 1p
Usher-Walker 2p
Viking Resources Tst 0.5p
Walker and Homer Group 0.5p
Ward White Group 1.694p
Websters Group 0.9p
Welkom Gold Mining 37.20845p
Western Hldgs 142.93493p
Whitworth Electric Hldgs 1.50937p
Winterbottom Energy Tst 3½pc Cum Pf 1.75p

SATURDAY DECEMBER 15

DIVIDEND & INTEREST PAYMENTS—
Amfac Inc 36cts
BOC Group 9pc Tonnage Db 1988 4½pc. 9pc Tonnage Db 1990 4½pc. 11pc Tonnage Db 1992 5½pc
BSR Intnl 5½pcLn 1985-90 2¾pc
British Alcan Aluminium 8¾pcDb 1981-1986 4⅜pc
Caisse Nationale Des Autoroutes 16pc Gtd Ln 2006 8pc
Cummins Engine 55cts
Drayton Premier Inv Tst 4½pcDb 2¼pc
GRE Assurance 7pcLn 1986-91 3½pc
Hambro Tst 2.1p
Home Charm Group Cnv Un Ln 1997-2004 4.3726cts
Investors Capital Tst 5½pc Cum Pf 1.8375p
M&G Midland and Gen Tst 6.14p
Mercantile House Variable Rate Un Ln Nts 1984-89 4.49315cts
New Zealand 7½pc 1983-96 3¾pc
Owens-Illinois 42cts
Pennzoil 55cts
Ranks Hovis McDougall 7¼pcLn 1981-86 3⅝pc
St Lawrence and Ottawa Railway 4pc Stg 1st Mtg Bds 2pc
Singer Co 10cts
Sunderland (Borough of) 12½pc Red 1984 6¼pc
TRW Inc 75cts
Time Inc 20.5cts
Treasury 8¼pcLn 1987-90 4⅛pc
United Biscuits 7½pcDb 1981-86 3¾pc. 8pcDb 1993-98 4pc

SUNDAY DECEMBER 16

DIVIDEND & INTEREST PAYMENTS—
United Biscuits 5¼pcLn 2003-08 2⅝pc

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

January 8-10
CADCAM International Show (01-537 3699) NEC, Birmingham
January 12-17
Harrogate International Toy Fair (01-226 6653) Harrogate
January 15-18
Which computer? Show (01-891 5051) NEC, Birmingham
January 17-20
Ideal Home Exhibition (0202 886933)
Metropolitan Exhibition Hall, Brighton
January 20-24
International Lightshow Exhibition (05884 658) Olympia
January 26-30
Stationery Industry Exhibition—STATINDEX (01-385 1200) Olympia
January 26-30
British Toy and Hobby Fair (01-701 7127) Earls Court
January 30-February 3
International Swimming Pool and Leisure Show. (Trade: Jan. 30-31) (073522 2875)
Wembley Conference Centre
February 3-7
International Spring Fair: Gift Show (01-855 9201); Hardware and Housewares Show (0604 22023) NEC, Birmingham
February 8-10
Cruft's Dog Show (01-493 7838) Earls Court
February 10-13
International Men's and Boy's Wear Exhibition (021 705 6707) Olympia

OVERSEAS TRADE FAIRS

Current
SaudiCity 84—Second Water Technology Show, Municipal Services and Public Works Show (01-486 1951) (until December 13) Riyadh
December 14-30
New Year's Fair (01-486 1951) Zagreb
January 7-10
International Hotel and Catering Industries Trade Fair—HORECAVA (01-437 2175) Amsterdam
January 10-14
International Furniture Exhibition (01-439 3964) Paris
January 13-16
Fashion Show (01-486 5686) Rio de Janeiro
January 21-25
International Record and Music Publishing Market — MIDEM (01-499 2317) Cannes
January 30-February 2
International Instrument Control, Automation Measurement and Testing Show — INSTRUMENTASIA (01-486 1951) Singapore
February 4-7
Middle East Electronic Communications Show and Conference—MECOM (01-486 1951) Bahrain
February 8-17
International Boat Show (01-486 1951) Helsinki
February 20-24
International Holiday Fair and Exhibition — FERIENMESSE INTERNATIONAL (01-591 2606) Vienna

BUSINESS CONFERENCES

December 10-15
Management Training Consultants: Techniques of supervisory and management training for trainers (0533 27062) Leicester
December 10-11
International Chamber of Commerce: Latest trends in international transport; implications for the transport industry and its customers (Paris 562 34 56) Paris
December 11-12
FT Conference: World Telecommunications (01-621 1355)
Inter Continental Hotel, W1
December 11-12
The FT European Gas Conference (01-621 1355) Vienna
December 12
London Chamber of Commerce and Industry: The current role of Syria in the Middle East (01-248 4444) 69 Cannon Street, EC4
December 14
Oyez IBC: Investing in telecommunications (01-236 4080)
Marriott Hotel, London
January 3-4
Imperial College: Seminar on fifth generation computer software and its relevance to industry and commerce (01-589 5111)
London University, SW7
January 20-25
Tavistock Institute/Institute of Human Relations (Zurich): 1985 Tavistock working conference on rethinking, implementing and managing organisational change (01-435 7111) Minster Lovell
January 22-23
FT Conference: Pensions in 1985 (01-621 1355)
Inter Continental Hotel, W1
January 23-25
Management Centre Europe: Business frauds—their prevention and detection (Brussels (02) 516 19 11) Portman Hotel, W1
January 28-30
FT Conference: Seminar on the City as a financial and trading centre (01-621 1355)
Skinners' Hall, EC4
January 30-March 6
IPM: Flexibility in working time-cost effective initiatives for managers (01-946 1000)
Embassy Hotel, W2
January 31
Foundation for Science and Technology: Seminar on technology transfer within the EEC (01-608 0421)
RSA House, London
February 4-8
Risk Research Group: Reinsurance practice (01-236 2175)
Kensington Palace Hotel, W8
February 7-8
Brunel Institute: Organisational design and levels of management (0895 56461) Uxbridge
February 14-15
Risk Research Group: The future of Lloyd's (01-236 2175)
Great Eastern Hotel, EC2
February 18-19
Open Computer Security: The International Data Security Conference 1985 (0273 672191)
Dorchester Hotel, W1
February 26
Longman Seminars: Will drafting (01-242 2548) Barbican Centre

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

This announcement appears as a matter of record only.

NEW ISSUE

December, 1984

BAWAG

BANK FÜR ARBEIT UND WIRTSCHAFT
Aktiengesellschaft
(Incorporated with limited liability in Austria)

U.S. $75,000,000
Subordinated Floating Rate Notes due 1999

Kidder, Peabody International Limited
Mitsubishi Trust & Banking Corporation (Europe) S.A.
BankAmerica Capital Markets Group
Bank of China, London
Bank of Tokyo International Limited
Citicorp Capital Markets Group
The Commercial Bank of Kuwait S.A.K.
Kuwait Asia Bank E.C.
Lehman Brothers International Shearson Lehman / American Express Inc.
Manufacturers Hanover Limited
Mitsubishi Finance International Limited
Mitsui Finance International Limited
Mitsui Trust Bank (Europe) S.A.
Morgan Guaranty Ltd
Morgan Stanley International
The National Bank of Kuwait S.A.K.
Nippon Credit International (HK) Ltd.
Orion Royal Bank Limited
Sanwa International Limited
Saudi International Bank Al-Bank Al-Saudi Al-Alami Limited
Sumitomo Trust International Limited
Takugin International Bank (Europe) S.A.
S. G. Warburg & Co. Ltd.
Yokohama Asia Limited

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange in connection with the Placing by Northcote & Co. of 1,000,000 Shares of U.S. one cent each at 55p per Share in Optometrics (U.S.A.), Ltd. ("the Company").

Application has been made for the grant of permission to deal on the Unlisted Securities Market of The Stock Exchange in the Shares of the Company. It is emphasised that no application has been made for these securities to be admitted to listing.

OPTOMETRICS (U.S.A.), LTD.
(Incorporated with limited liability in Delaware (U.S.) under the General Corporation Law of the State of Delaware)

Share Capital

Authorised $		Issued or to be issued and fully paid $
120,000	In Shares of U.S. 1 cent each	100,000

Shares have been offered to and are available through the Market. Full information regarding Optometrics (U.S.A.), Ltd. is contained in the Extel Statistical Services and in a Prospectus dated 7th December, 1984, copies of which may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including Monday 31st December, 1984 from:—

Northcote & Co.,
Veritas House,
119 Finsbury Pavement,
London EC2A 1JJ.

Cardales,
Dauntsey House,
Frederick's Place,
Old Jewry,
London EC2R 8HN.

The Bank of Tokyo, Ltd.
2/F, FAR EAST FINANCE CENTRE,
16 HARCOURT ROAD,
Hong Kong

NEGOTIABLE FLOATING RATE UNITED STATES DOLLAR CERTIFICATES OF DEPOSIT SERIES 104 DUE JUNE 10, 1985.

As agent bank for these Certificates of Deposit Morgan Guaranty Trust Company of New York hereby certifies to the holders that the rate of interest payable on the certificates for the interest period beginning December 10, 1984 and ending June 11, 1985 is Nine and seven-eighths Percent (9⅞%) per annum.

Agent Bank:
Morgan Guaranty Trust Company
of New York
Hong Kong

PHILIPS

N.V. GEMEENSCHAPPELIJK BEZIT VAN AANDEELEN PHILIPS' GLOEILAMPENFABRIEKEN

(Philips' Lamps Holding)
Eindhoven, The Netherlands

The Board of Governors of N.V. Gemeenschappelijk Bezit van Aandeelen Philips' Gloeilampenfabrieken (Philips' Lamps Holding) has declared an interim dividend for the financial year 1984 amounting to Hfl. 0.60 per Ordinary Share of Hfl. 10,— nominal value

The interim dividend will become payable on 3rd January 1985. Payment of the net amount of this dividend on UK – CF certificates will be made by the Company's paying agent, Hill Samuel & Co. Limited, 45 Beech Street, London, EC2P 2LX to the UK – CF depositaries in accordance with their positions in the books of CF – Amsterdam at the close of business on 7th December, 1984.

Holders of UK – CF certificates are reminded that such payment is subject to deduction of 25 per cent Netherlands Withholding Tax. This 25 per cent may, however, be reduced to 15 per cent when payment is made to residents of the United Kingdom or to residents of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Western Germany, Ireland, Japan, Luxembourg, Netherlands Antilles, New Zealand, Norway, South Africa, Spain, Sweden and the United States of America, who deliver through the UK – CF depositary the appropriate Tax Affidavits to the company's agent Hill Samuel & Co. Limited. The Netherlands Withholding Tax may be reduced to 20 per cent when payment is made to residents of Indonesia who deliver the appropriate Tax Affidavit in the above-mentioned way.

Payment of the net guilder amount of dividend will be made by Hill Samuel & Co. Limited, in sterling at the rate of exchange ruling on 7th January, 1985, unless payment in guilders on an account with a bank in the Netherlands is requested no later than 18th December, 1984.

Eindhoven 10th December 1984
The Board of Governors.

PHILIPS

Closing prices, December 7

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	13¼	AAR	.48	2.7	16	209	18½	18	18	-¼
30½	9⅞	AGS			8	51	10⅝	10⅜	10⅜	-⅛
22	13½	AMCA	1	7.1		6	14⅝	14⅛	14½	-¼
17⅞	13⅞	AMF	.50	3.4	83	115	15⅛	14⅝	14⅝	-½
41¼	24¼	AMR			5	3436	34¼	33½	33⅞	-⅛
20⅜	16¾	AMR	pf2.18	11		6	19½	19½	19½	-⅛
41½	27½	AMR	pf2.13	6.2		304	35	34½	34½	-¼
25¾	22⅞	ANR	pf2.67	12		1	23	23	23	
15⅜	8½	APL			3	24	9⅞	9⅝	9⅝	+⅛
71⅛	40¾	ARA	2.10	3.0	14	486	u71⅛	71⅛	71⅛	-⅛
69⅜	44⅛	ASA	3	5.8		406	53½	52	52⅛	-1⅛
30⅛	16½	AVX	.32	1.8	11	81	18⅛	17⅞	18	-⅛
48⅞	36⅛	AbtLab	1.20	3.1	12	3134	39½	39	39	-⅜
23⅝	16½	AccoWd	s.44	2.1	17	37	20⅝	20¼	20½	+¼
27¼	12½	AcmeC	.40	3.0		62	13⅞	13	13½	+¼
12⅛	8¼	AcmeE	.32b	3.6	13	9	9½	9	9	-⅛
18⅝	15	AdaEx	2.11e	13		45	16⅛	15⅞	15⅞	+⅛
18⅞	11⅞	AdmMl	.32	2.4	7	8	13⅜	13½	13½	-⅛
21⅝	11½	AdvSys	.811	7.0	11	71	11½	11½	11½	
41⅛	25⅛	AMD			13	4870	29⅞	28⅞	29⅞	-⅛
14⅞	6⅞	Advest	.12	1.5		51	8	7½	7⅞	-¼
16⅞	8⅞	Aeriex			10	17	10⅜	10½	10⅜	
39	27⅛	AetnLf	2.64	7.5	29	x5607	35½	35	35½	
58⅛	52⅛	AetL	pf4.40e	8.2		439	55⅝	53½	53½	-¼
34½	15⅛	Ahmns	1.20	5.3	10	2494	23⅞	22¼	22½	-1⅛
5½	2⅞	Aileen				23	3	2⅞	2⅞	-⅛
48⅞	38½	AirPrd	1.20	2.5	10	527	45⅞	45¼	45⅜	
30½	13	AirbFrt	.60	3.2	10	40	18⅞	18⅞	18½	
4⅛	1⅞	AlaMoa	.3e	7.7		32	4	3⅞	3⅞	-⅛
27⅞	21	AlaP	pf2.97e	12		172	24⅞	24⅞	24⅞	-½
31	26⅜	AlaP	pfA3.92	13		2	29½	29¼	29¾	+¼

Continued on Page 31

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, December 7

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
7¼	3⅝	ADI	n		20	13	5⅜	5¼	5⅜	
3¼	2	ADI	wt			2	2⅛	2⅛	2⅛	
15¾	8¼	ALLab	n.20	2.1	9	10	9½	8¾	8½	+⅛
13⅝	12	AMC	n.12	1.0	10	35	12⅝	12½	12½	
3⅝	2⅝	AM	Ind			630	2⅝	2⅝	2⅝	
2⅛	¾	ATI				291	15-16	¾	13-16	+1-16
71¼	59	ATTFd	n5.53e	7.9		74	70¾	70	70¾	+¼
7⅛	2¾	AcmePr				112	5	4½	4⅝	+¼
16⅝	9½	AcmeU	.32	3.2	11	72	10	9⅞	9⅞	
16⅝	9⅝	Action			34	48	13¾	13⅝	13⅝	
9¼	4	Acton				164	4⅛	3⅞	4	−⅛
3⅝	5-16	Actn	wt			42	7-16	5-16	7-16	+⅛
3⅛	1⅛	AdmRs			3	116	2	1⅞	1⅞	+⅛
25½	15⅞	AdRusl	s.14	.6	18	162	24½	24½	24½	
24¼	15	Adobe	.24	1.5	10	119	16⅛	16	16	
8⅞	4½	Aeronc			7	22	6⅝	6⅝	6⅝	
50⅞	38¾	AfilPub	.80	1.8	14	22	45⅛	44⅝	44⅝	−¼
9¼	6	AirExp			9	51	7½	7⅛	7⅛	+⅛
5⅜	2⅝	Alamco			6	12	2⅞	2¾	2⅞	+¼
14	6¾	AlpaW	.15j		8	49	7¾	7	7¾	+⅜
9⅛	6½	Alpha	.45r	6.6	2	83	7⅞	7⅛	7⅛	+¼
22¾	9½	Alphaln	.05	.5	12	20	10	10	10	−⅛
1⅛	½	Altex				249	13-16	¾	13-16	+1-16
¾	⅛	Altex	wt			45	⅛	⅛	⅛	
34¼	29⅝	Alcoa	pf3.75	11.		z850	33¼	32½	33¼	+1
22	11	AlzaCp			47	65	18	17¾	17⅞	+⅝
20⅞	9½	Amdahl	.20	1.8	14	850	11⅜	11¼	11⅜	
17	6½	Amedco	.08	1.1		45	7¼	7⅛	7⅛	+⅛
7¾	4¾	AmBilt	.15	2.2	5	3	6⅞	6¾	6¾	−⅛
9⅝	3⅛	AmCap				16	4½	4½	4½	+⅛
37½	30	AContl	.92e	2.6	10	3	37⅛	37⅛	37⅛	
27	12¾	AExp	wt			98	22	21½	21½	−½

Continued on Page 32

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 30

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
27½	18	Zero	.40	1.9	16	6	21¼	21	21⅛	+⅛
34	21⅛	Zurnln	1.32	5.1	11	192	26⅛	26	26⅛	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

ENERGY REVIEW
every Wednesday in
the Financial Times

WORLD STOCK MARKETS

OVER-THE-COUNTER
Nasdaq national market, closing prices, December 7

Continued on Page 33

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 31

CANADA

TORONTO
Closing prices December 7

Sales	Stock	High	Low	Close	Chng
3089	Un Carbd	$11½	11½	11½	
18747	Union Gas	$11½	11¼	11½	+ ¼
1800	U Keno	$10¼	10	10	- ¼
700	U Siscoe	140	139	139	- 1
200	Van Der	215	215	215	+ 15
5505	Versa A f	$6⅛	6	6	
2100	Vestgron	$10¾	10¼	10¼	
1200	Wcldwod	$13¼	13¼	13¼	+ ¼
3800	Westfort o	15	14	14	- 1
1800	Westmn	$12⅞	12⅛	12⅛	- ¼
300	Weston	$74	73¼	73¼	+ ½
12084	Woodwd A	$11⅛	11⅛	11⅛	- ⅛
3300	Yk Bear	$10¼	10	10¼	+ ¼

Total sales 9,809,521 shares

MONTREAL
Closing prices December 7

Sales	Stock	High	Low	Close	Chng
22744	Bank Mont	$24½	24¼	24¼	
1400	CIL	$28¼	28¼	28¼	- ¼
4215	ConBath	$15½	15¼	15¼	- ¼
4542	DomTxtA	$12⅞	12½	12½	- ¼
251	MntTrst	$12¼	12⅛	12⅛	- ⅛
39633	NatBk Cda	$14⅛	14	14⅛	+ ⅛
15450	Power Corp	$26⅛	26⅛	26⅛	+ ⅛
11110	RollandA	$14½	14¼	14¼	+ ¼
300	RollandB	$14¼	14¼	14¼	- ½
19821	Royal Bank	$28⅛	28⅛	28⅛	

Total sales 1,322,521 shares

NORWAY

1984 High	Low	Dec. 7	Price Kroner
190	140	Bergens Bank	159
340	315	Borregaard	301
190	139	Cristiania Bk	153.5
188.5	142	Den Norsk Credit	155
187.5	108	Elkem	117
178.5	132.5	Kvaerner	166
386	252	Norsk Data	373
137.5	102.5	Norsk Hydro	107.5xa
272.5	172	Storebrand	197.5

AUSTRIA

1984 High	Low	Dec. 7	Price
227	202	Credit'stalt Pfd.	224
342	318	Goesser	330
410	381	Interunfall	394
227	203	Laenderbank	224
389	300	Perimooser	357
167	139	Steyer-Daimler	164
252	206	Veitscher Mag	244

BELGIUM/LUXEMBOURG

1984 High	Low	Dec. 7	Price Frs.
2,085	1,740	B.B.L.	1,850
5,600	4,865	Banq. Int. A. Lux	5,500
5,000	3,105	Bekaert B.	4,400
2,800	2,010	Ciment CBR	2,550
328	175	Cockerill	280
6,050	4,750	Delhaize	5,700
2,920	2,290	EBES	2,865
8,800	5,850	Electrobel	8,600
2,425	1,800	Fabrique Nat	2,100
3,595	3,060	GB Inno BM	3,210
2,800	2,065	GBL (Brux)	2,125
3,935	2,970	Gevaert	3,600
6,480	4,960	Hoboken	6,140
3,000	1,805	Intercom	2,195
7,610	6,280	Kredietbank	7,590
10,350	8,950	Pan Hldgs	9,900
8,210	6,010	Petrofina	7,120
10,500	7,320	Royale Belge	10,500
3,500	2,885	Soc. Gen. Banq	3,380
1,940	1,600	Soc Gen. Belge	1,860
8,340	5,190	Sofina	7,600
4,500	3,430	Solvay	4,235
1,520	1,050	Stanwick Intl.	1,430
4,300	3,125	Tractionel	3,980
5,490	3,940	UCB	5,070
2,670	1,865	Wagon Lits	2,495

DENMARK

1984 High	Low	Dec. 7	Price Knr. %
362	216	Andelsbanken	270
720	510	Baltic Skand	555
350	207	CopHandelsbank	275
850	505	D. Sukkerfab	505
335	205	Danske Bank	275
1,900	930	De Danske Luft	1,000
218	153	East Asiatic	160
1,250	720	Forenede Brygg.	755
153	65	Forenede Damp.	99
700	362	GNT Hldg	375
725	364	I.S.S.B.	399
760	443	Jyske Bank	500
3,150	1,200	Novo Ind.	1,370
372	203	Privatbanken	243
370	283	Provinsbanken	345
300	200	Smidth (F.)	227
1,375	845	Sophus Berend	900
588	411	Superfos	420

FRANCE

1984 High	Low	Dec. 7	Price Frs.
1,999	1,645	Emprunt 4½% 1973	1,660
10,020	8,840	Emprunt 7% 1973	8,855
244	202	Accor	241
578	497	Air Liquide	560
519	375	BIC	560
1,995	1,415	Bongrain	1,790
836	560	Bouygues	687
2,885	2,400	BSN Gervais	2,501
1,558	1,012	CIT Alcatel	1,301
1,915	1,005	Carrefour	1,771
1,145	774	Club Mediter	1,045
600	427	Cie Bancaire	585
262	207	Cofimeg	239
2,430	2,241	Damart	2,308
1,197	780	Darty	1,175
941	593	Dumez S.A.	630
598	488	Eaux (Cie Gen.)	540
278	179	Elf-Aquitaine	225
3,030	2,195	Essilor	2,850
706	537	Gen.Occidentale	649
97.4	63.9	Imetal	79.9
393.5	300	Lafarge-Coppee	366
2,600	2,101	L'Oreal	2,310
2,340	1,778	Legrand	1,890
357	140	Maisons Phenix	194
2,050	1,300	Matra S.A.	1,730
1,084	740	Michelin B.	776
2,009	1,372	Midi (Cie)	2,006
1,871	1,313	Moet-Hennessy	1,837
140.5	90	Moulinex	93
71.8	45.7	Nord Est	70
845	662	Pernod Ricard	740
574	462	Perrier	500
313	184.5	Petroles Fra.	247
257.5	179.5	Peugeot S.A.	226
199.9	130.2	Printemps (Au.)	191
410	207	Radiotech	238
1,340	1,000	Redoute	1,185
1,710	726	Roussel-Uclaf	1,625
287	235	Sefimeg	287
1,745	1,180	Skis Rossignol	1,730
2,180	1,470	Telemech Elect.	2,150
394.8	239	Thomson (CSF)	382
358	205	Valeo	258.5

GERMANY

1984 High	Low	Dec. 7	Price Dm
115.7	80	AEG-Telef.	102.5
1,147	725	Allianz Vers.	1,035
179.2	146.5	BASF	176.9
187.8	152.2	Bayer	187.3
329.5	247	Bayern-Hypo	322
368	287	Bayern-Verein.	330
316	219	BHF-Bank	275
453	290.5	BMW	372.5
247.5	192.8	Brown Boveri	201.8
190	136.5	Commerzbank	172.2
141.8	107.4	Contl Gummi	114.9
638	515	Daimler-Benz	577.5
412	338	Degussa	353
192.5	136.5	D'sche Babcock	150
385	302.1	Deutsche Bank	380.5
191.2	138.5	Dresdner Bank	189
166.7	126.5	GHH	152
623	450	Hochtief	471
195.5	158.5	Hoechst	186
132.5	87.5	Hoesch Werke	98.3
466	349	Holzmann (P)	370
203	161	Horten	183
297	210	Hussel	289
283	219.8	Karstadt	250.5
269.8	188	Kaufhof	233.8
284.5	212	KHD	265.5
78.5	47.9	Kloeckner	68.8
418	335	Linde	384
181.5	133	Lufthansa	179.5
161	125	MAN	145.8
158	131.8	Mannesmann	143.5
561	449	Mercedes Hld.	518
249	200	Metallgesell.	219
1,370	910	Muench Rueck.	1,160
548	458	Nixdorf	517
1,115	918	Porsche	991
288	216.5	Preussag	266
188.8	125.5	Rhein West Elect	164.5
291	245	Rosenthal	248
429	317	Schering	425
459.7	353.5	Siemens	454
94.5	69.3	Thyssen	79.2
198	160	Varta	174
185	159.5	Veba	169.2
127.9	108.5	V.E.W	122.8
335	285	Verein-West.	295
231.8	163	Volkswagen	198.7

SWITZERLAND

1984 High	Low	Dec. 7	price Frs.
928	660	Alusuisse	750
4,590	3,360	Bank Leu	3,840
1,580	1,240	Brown Boveri	1,395
2,560	2,085	Ciba-Geigy	2,520
2,190	1,655	do. (Part Certs)	2,030
2,385	2,040	Credit Suisse	2,345
2,820	2,290	Elektrowatt	2,570
748	590	Fischer (Geo)	619
112,250	86,125	Hoff-Roche PtCts	88,750
10,900	8,650	Hoff-Roche 1/10	8,850
6,826	5,725	Jacobs Suchard	6,200
1,930	1,700	Jelmoli	1,930
1,600	1,290	Landis & Gyr	1,530
6,500	4,665	Nestle	6,395
1,545	1,030	Oer-Buehrle	1,330
280	243	Pirelli	268
7,600	6,450	Sandoz (Br)	7,235
1,225	940	Sandoz (Pt Cts)	1,150
645	460	Schindler (Pt Cts)	640
4,010	810	Sika	1,050
4,175	3,410	Surveillance	3,700
1,029	900	Swissair	1,025
365	309	Swiss Bank	363
8,350	7,050	Swiss Reinsce.	8,000
1,590	1,320	Swiss Volksbk.	1,485
3,650	3,150	Union Bank	3,590
3,320	2,770	Winterthur	3,320
18,900	16,550	Zurich Ins.	18,000

AUSTRALIA

1984 High	Low	Dec. 7	Price Aust. $
1.21	0.94	Queensland Coal	1.11
3.15	2.4	Reckitt & Coln.	3.06
1.40	1.01	Repco	1.14
8.20	5.48	Santos	5.8
4.40	3.20	Smith (Howard)	3.4
2.48	1.53	Thos. Natwide.	1.73
5.9	4.98	Tooth	5.8
4.05	2.55	Vamgas	3.4
4.45	2.85	Western Mining	2.9
4.08	3.38	Westpac Bank	3.82
1.35	0.93	Woodside Petrol.	1.04
2.80	2.2	Woolworths	3.56
3.82	2.50	Wormald Intl.	2.95

ITALY

1984 High	Low	Dec. 7	Price Lire
19,750	14,800	Banca Com'le.	14,800
183	89	Bastogi IRBS	125
2,500	1,418	Centrale	2,100
5,666	3,540	Credito Varesino	3,648
4,625	1,675	Fiat	1,912
59	27	Finsider	45.75
39,300	29,070	Generali (Assc.)	30,750
3,485	2,621	Invest	2,960
64,950	40,500	Italcementi	64,710
507	345	La Rinascenti	507
1,284	1,112	Montedison	1,280
6,080	3,866	Olivetti	5,960
3,387	2,464	Pirelli Co	3,325
1,974	1,419	Pirelli Spa	1,764
2,048	1,336	Snia BPD	2,048
14,600	10,750	Toro Assic.	11,649
11,310	8,060	do. Pref	8,800

NETHERLANDS

1984 High	Low	Dec. 7	Price Fls
215	153	ACF Holding	187.5
146	107	AEGON	138.8
238	168.5	Ahold	179.5
123.2	77	AKZO	95.1
445	202	ABN	342.5
200.8	141.9	AMEV	199.3
82	51.6	AMRO	65
222	151	Bredero Cert.	158.5
52	8.8	Bos Kalis Westm	15.5
75	61	Buehrmann-Tet.	68
41.5	30.1	Calland Hldgs	30.9
161.8	124	Dordtsche Pet'm	156.5
117	73	Elsevier-NDU nv.	114.5
81.5	41	Fokker	78.8
173.6	130.7	Gist-Brocades	163.5
157	116	Heineken	142.6
66.4	41.6	Hoogovens	62.4
44.8	32.6	Int-Mueller	35.9
46.5	30.0	KLM	42.7xo
49.0	34.1	Naarden	46.5
244	196	Nat Ned Cert.	243
198	123	Ned Mid Bank	142
165.8	99.7	Nedlloyd	162
277	212	Oce Grinten	275.4
34.5	24.4	Ommeren (Van)	27.2
77	63	Pakhoed	66.2
57.3	41.7	Philips	53.4
70	58.3	Robeco	67.3
139	130.1	Rodamco	135.9
67.4	55.3	Rolinco	61.3
43.6	39.6	Rorento	43
180.3	136.2	Royal Dutch	172.7
313.2	232.5	Unilever	304
140	90	VMF Stork	135.5
199.8	137	VNU	202.5
145.5	72.5	West Utr Bank	122

SWEDEN

1984 High	Low	Dec. 7	Price Kronor
400	330	AGA	359
302	170	Alfa-Laval	203
480	280	ASEA (Free)	340
540	300	Astra (Free)	330
141	96	Atlas Copco	98
531	205	Cardo (Free)	239
192	114	Cellulosa	123
288	215	Electrolux B	243
390	258	Ericsson	261
370	250	Esselte	275
375	218	Mo Och Domsjo	262
247	153	Pharmacia	190
609	310	Saab Scania Free	450
425	310	Sandvik	345
445	278	Skandia	312
75	52	Skan Enskilda	55.4
222	154	SKF	175
197.5	145	St. Kopparbergs	160
237	169	Sven Handelsbn.	190
302	215	Swedish Match	257
258	169	Volvo B (Free)	226

SPAIN

1984 High	Low	Dec. 7	Price Pta %
368	252	Bco Bilbao	308
375	278	Bco Central	307
223	193	Bco Exterior	200
264	170	Bco Hispano	170
421	224	Bco Popular	350
348	267	Bco Santander	319
181	120	Dragados	154
81.2	41.2	Hidrola	69.2
90.5	40.5	Iberduero	77
172.5	102	Petroleos	146
104.7	69.7	Telefonica	90.2

SINGAPORE

1984 High	Low	Dec. 7	price $
3.14	1.66	Boustead Hldgs.	1.88
6.20	2.59	Cold Storage	2.68
10.70	5.36	DBS	6.15xa
6.00	4.62	Genting	4.96
2.91	1.90	Haw Par. Bros	2.06
4.74	2.88	Hong Leong Fin.	3.1
3.65	2.31	Inchcape Bhd.	2.44
3.65	1.58	Keppel Shipyard	1.69
10.40	5.40	Malay Banking	5.85
3.32	2.3	Malay Utd. Ind.	2.49
2.27	0.9	Multi Purpose	0.99
11.80	8.75	OCBC	9.15
5.05	3.04	OUB	4.2
2.53	1.62	Public Bank	1.77
2.87	1.82	Sime Darby	1.89
6.95	4.48	Straits Trdg	4.8
3.99	2.90	Tate Lee Bk.	2.98
6.90	4.14	UOB	4.42

HONG KONG

JAPAN

SOUTH AFRICA

"What's special about these Danish companies?"

Aktivbanken, American Express Bank A/S, Andelsbanken, Andelssmør a.m.b.a., Bank of America, Baltica-Nordisk RE, Benzon & Benzon, Burmeister & Wain Skibsværft A/S, Burmeister & Wain Scandinavian Contractor A/S, Børsinformation ApS, Carlsberg Breweries, Cerekem A/S, C & G Banken A/S, The Chase Manhattan Bank N.A., Copenhagen, A/S Cheminova, Christian Rovsing International A/S, Christiani & Nielsen A/S, Citibank, N.A., Codan Forsikring, Control Data A/S, Danish Steel Works Ltd., Danmarks Sparekasseforening, Dansk Olie & Naturgas A/S, Den Danske Bank, Den Danske Provinsbank A/S, DFDS A/S, De Forenede Bryggerier A/S, Finansieringsinstituttet for Industri og Håndværk, A/S N. Foss Electric, Faxe Kalk, Grosserer Societetet, Gutenberghus, Copenhagen Handelsbanken A/S, A/S Hellesens, J. C. Hempel's Skibsfarve-Fabrik A/S, H. Hoffmann & Sønner A/S, Jyske Bank, Kemp & Lauritzen A/S, Kongskilde Koncernselskab A/S, The Bank of Copenhagen, Københavns Fondsbørs/Copenhagen Stock Exchange, Larsen & Nielsen Constructor Holding A/S, LK-NES A/S, Magasin Du Nord, McKinsey & Co., Inc., Monberg & Thorsen A/S, Nea-Lindberg A/S, Northern Feather International Ltd., Olivetti A/S, Pedershaab Maskinfabrik A/S, Rank Xerox A/S, A/S Thomas Ths. Sabroe & Co., Sadolin & Holmblad A/S, Simonsen & Weels Eftf. A/S, Sparekassen SDS, Storno A/S, Superfos A/S, Topsikring, Toyota Danmark, Tuborg Breweries.

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هكذا عند التحميل

WORLD STOCK MARKETS

OVER-THE-COUNTER

Continued from Page 32

Indices

NEW YORK — DOW JONES

	Dec. 7	Dec. 6	Dec. 5	Dec. 4	Dec. 3	1984 High	1984 Low	Since Compiltn High	Since Compiltn Low
♦Industri'ls	1163.21	1170.46	1171.60	1185.07	1182.42	1286.64 (6/1)	1088.57 (24/7)	1287.20 (29/11/83)	41.22 (2/7/32)
H'me Bnds	72.12	72.16	72.28	72.38	72.58	72.86 (28/11)	64.81 (25/6)	—	—
Transport..	522.7	532.25	520.37	526.79	523.58	612.66 (9/1)	444.03 (25/7)	612.63 (9/1/84)	12.32 (8/7/32)
Utilities	144.65	145.16	144.80	144.90	144.39	146.89 (8/11)	122.25 (15/6)	163.72 (20/4/69)	10.6 (28/4/42)
TradingVol 000-†	81,000	96,560	88,700	81,250	95,300	—	—	—	—

Day's High 1177.78 (1178.67) low 1160.0 (1159.23)

	Nov. 30	Nov. 23	Nov. 16	year ago (approx)
Industrial div. yield %	4.92	4.79	4.91	4.45

STANDARD AND POORS

	Dec. 7	Dec. 6	Dec. 5	Dec. 4	Dec. 3	1984 High	1984 Low	Since Comp'tn High	Since Comp'tn Low
Indust'ls....	181.45	181.99	181.26	182.81	182.13	191.48 (6/11)	167.74 (24/7)	194.84 (10/10/83)	3.62 (30/6/32)
Comp's'te	162.26	162.76	162.10	163.38	162.82	170.41 (6/11)	147.82 (24/7)	172.15 (10/10/83)	4.40 (1/6/32)

	Nov. 28	Nov. 14	Nov. 7	year ago (approx)
Industrial div. yield	4.12	4.07	3.95	3.72
Industrial P/E ratio	10.60	10.69	10.89	14.43
Long Gov. Bond yield	11.37	11.71	11.57	11.49

N.Y.S.E. ALL COMMON

Dec. 7	Dec. 6	Dec. 5	Dec. 4	1984 High	1984 Low
93.62	93.74	93.47	94.13	98.12 (6/11)	85.13 (24/7)

Rises and Falls

	Dec. 7	Dec. 6	Dec. 5
Issues Traded	1,999	2,010	2,002
Rises	675	795	510
Falls	806	751	1,010
Unchanged	518	464	482
New Highs	20	22	20
New Lows	43	61	51

TORONTO

	Dec. 7	Dec. 6	Dec. 5	Dec. 4	1984 High	1984 Low
Metals & Minerals	1868.55	1848.2	1860.57	1884.9	2524.4 (12/1)	1641.2 (25/7)
Composite	2362.12	2368.0	2358.87	2388.6	2585.7 (6/1)	2079.7 (24/7)
MONTREAL Portfolio	116.61	116.77	116.73	117.61	126.95 (10/1)	100.56 (24/7)

	Dec. 7	Dec. 6	Dec. 5	Dec. 4	1984 High	1984 Low
AUSTRALIA						
All Ord. (1/1/80)	728.1	727.7	737.5	737.7	787.9 (9/1)	546.8 (18/6)
Metals & Minls. (1/1/80)	422.9	420.9	432.7	432.6	567.4 (3/1)	404.9 (24/7)
AUSTRIA						
Credit Aktien (2/1/62)	57.74	58.99	58.53	58.19	58.98 (6/12)	53.20 (15/8)
BELGIUM						
Belgian SE (31/12/63)	158.5	159.16	158.52	157.98	165.08 (25/10)	135.28 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	166.42	164.92	165.87	166.53	225.21 (20/1)	161.78 (17/10)
FRANCE						
CAC General (31/12/82)	181.7	181.4	182.5	181.6	185.0 (26/10)	155.6 (3/1)
Ind Tendance (30/12/83)	120.7	118.8	121.7	120.8	121.7 (26/11)	93.4 (3/1)
GERMANY						
FAZ Aktien (31/12/58)	375.44	376.66	377.32	377.44	377.44 (4/12)	317.17 (25/7)
Commerzbank (1/12/53)	1082.5	1097.2	1102.8	1102.7	1102.7 (4/12)	917.7 (25/7)
HONG KONG						
Hang Seng Bank (31/7/64)	1122.12	1120.74	1136.08	1125.40	1170.85 (19/3)	746.02 (13/7)
ITALY						
Banca Comm Ital. (1972)	214.79	(u)	215.7	214.25	229.57 (1/2)	192.06 (2/1)
JAPAN**						
Nikkei-Dow (16/5/49)	11468.5	11559.8	11543.19	11577.4	11577.4 (4/12)	9703.35 (25/7)
Tokyo SE New (4/1/68)	884.27	884.95	882.4	884.28	884.95 (6/12)	750.45 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	178.6	177.5	178.9	178.8	182.1 (22/10)	148.8 (25/7)
ANP-CBS Indust (1970)	141.4	140.7	141.7	141.3	147.2 (1/2)	118.7 (18/6)
NORWAY						
Oslo SE (4/1/83)	280.49	277.96	279.57	279.30	296.70 (8/5)	221.67 (4/1)
SINGAPORE						
Straits Times (1966)	818.45	817.93	815.59	808.49	1071.91 (9/2)	785.28 (21/11)
SOUTH AFRICA						
Gold (1958)	1024.0	1036.4	1045.8	1058.5	1099.8 (14/11)	738.1 (24/1)
Industrial (1958)	959.9	960.1	963.2	967.2	1105.3 (26/3)	855.5 (19/9)
SPAIN						
Madrid SE (30/12/83)	135.15	138.31	139.75	140.45	154.51 (6/10)	102.02 (3/1)
SWEDEN						
Jacobson & P. (1/1/58)	1576.88	1573.38	1562.2	1,352.16	1594.5 (3/2)	1302.99 (22/11)
SWITZERLAND						
SwissBank Cpn. (31/12/58)	385.7	384.5	383.5	380.6	388.5 (3/1)	354.5 (25/7)
WORLD						
Capital Intl. (1/1/70)	—	185.7	185.6	184.4	190.6 (5/5)	163.4 (3/12)

** Saturday December 1 Japan Nikkei-Dow 11,438.6. TSE 874.36.

Base values of all indices are 100 except Australia All Ordinary and Metals—500, NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. (u) Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
ITT Corp	3,639,300	32	+⅞
Union Carb	3,615,400	37	−1⅜
Phil Pete	2,077,700	53½	+⅜
British Tel	1,812,800	11⅜	+½
Mid-Co Utl	1,534,300	13⅞	+⅛
Fin Cpn Amer	1,185,200	7⅜	−⅛
Datapoint	1,065,700	16⅜	—
IBM	1,015,100	117⅞	−1⅜
Pac Gas El	934,800	16½	—
Allghy Pwr	877,200	29⅜	−⅜

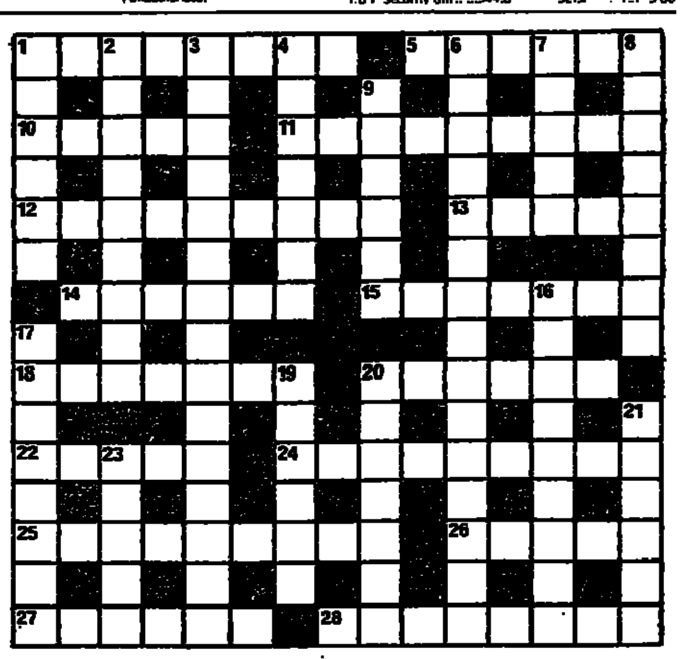
Stock		Sales (Hnds)	High	Low	Last	Chng
UBAlsk	.10a	37	11	10⅝	10⅝	
UBCol	1.08	35	21¼	21¼	21¼	+⅛
UnEdS		32	2¼	2¼	2¼	−¼
UFnGrp		783	8¼	7⅞	8⅛	+⅝
UFstFd		157	12⅞	12½	12½	−¼
UGrdn	1	189	12	11⅝	11⅞	+⅛
UPresd		19	10½	10¼	10½	+¼
US Ant		61	3¼	3⅛	3⅛	
US Bcp	1	9	22⅞	22⅞	22⅞	
US Cap		20	4	3¾	3¾	−¼
US Dsgn		484	5	4⅞	5	
US HI s		979	27¼	26	26	−1
US Sh n	.09e	267	3¾	3⅝	3⅝	−⅛
US Sur		341	16¼	15¾	16⅛	+⅜
USTrk	1.20	5	11½	11½	11½	
US Tr	1.60	7	42½	42½	42½	
UStatn s	.16	50	22⅞	21¾	21¾	−¼
UnTelev		3	15¾	15¾	15¾	
UVaBs	1.44	11	34⅛	33¾	34⅛	+⅞
UnvFm		32	15	15	15	
UnvHlt		905	10¼	10	10½	+½
UnvHld		3	3¾	3¾	3¾	−¼
UFSBk		12	7¾	7½	7¾	+¼
UrgeCr		563	4⅞	4¾	4¾	
Uscafe	.07e	1	3½	3½	3½	−¼
V—V						
VLI		259	6	5¾	6	
VLSI		98	10	9½	9½	−¼
VMX		163	8⅛	8	8	−¼
VSE	.14e	30	7¾	7½	7¾	
ValidLg		634	11¾	11¼	11½	−¼
ValFSL		5	8⅝	8⅝	8⅝	
ValNtl	1.20	1176	27¼	27	27¼	+¼
ValLn	.40a	56	30½	30	30½	
VanDus	.40	2	15	15	15	
Vanzeti		3	9½	9½	9½	
VectrG		2444	3-16	¼	3-16	
Ventrex		409	4⅛	3⅞	4	−⅛
Veta		106	⅜	5-16	5-16	
ViconF		41	3⅝	3⅛	3½	
Vicorp	.12i	30	15	14¾	14¾	
VictraS		244	3⅞	3⅝	3⅞	+⅛
VideoCp		1	19¼	19¼	19¼	
Vie deFr	.22e	63	12½	12	12½	+½
Viking		6	11¾	11¾	11¾	
Viratek		65	18¼	17¾	18	+½
VisTech		109	2⅞	2¾	2⅞	+⅛
Vodavi		89	8¼	7⅞	8	
Voltlnf		34	17½	16¾	16¾	−¼
W—W						
WD 40	.88	57	20¼	19¾	20¼	
WalbrC	.32	8	20¼	20¼	20¼	−½
WlkrTel		171	7⅞	7¼	7¼	−⅛
WshE	1.68	275	19⅛	18¾	18⅞	−⅛
WFSL s	.70	195	27¼	26¾	27	
WMSB		61	11⅛	10¾	10⅞	−⅝
Waveck		386	6½	6¼	6½	
Webb s	.36	23	11¾	11¾	11¾	+¼
WestFn		87	8¾	8⅝	8¾	
WnCasS	2.84	10	44	44	44	−½
WstFSL		15	7¼	7	7¼	+⅛
WMicTc		9	8	8	8	
WMicr		5	4	4	4	−⅛
WtTIA s		24	13	12⅞	12⅞	−⅛
WmorC	.40	280	18¼	18	18	
WstwdC		35	13	13	13	−¼
Wettra	.88	91	25¼	25	25⅛	+⅛
Wicat		336	3⅝	3⅜	3½	−⅛
Widcom		43	4⅞	4¾	4⅞	+⅛
Willmt	1.50	800	32¼	32¼	32¼	−½
WilAL		336	9⅜	9	9¼	−⅛
WmsSn		1	8¾	8¾	8¾	−¼
WilsnF		112	9⅜	9⅛	9¼	+⅛
WilsnH	.20	39	11⅞	11⅞	11⅞	−⅛
Windmr	.07	197	5¾	5⅝	5⅝	−⅛
WinnEn		61	3⅛	3	3⅛	
WiserO	.88	5	19	19	19	−⅛
WoodD	.60	13	16½	16	16¼	−¼
Worthg	.56	43	21½	21¼	21¼	−½
Writer	.15e	38	8	7¾	8	+¼
Wyman	.80	404	26	25¾	25¾	−⅛
X—Y—Z						
Xebec		181	6½	6⅛	6¼	
Xicor		948	9	8¾	8½	−⅛
Xidex		262	11¼	11	11	
YlowFt	1	331	28⅞	28½	28½	−¼
ZenLbB		232	18¼	17½	18¼	+1
Zentec		60	2¾	2½	2¾	+¼
Ziegler	.44e	34	11½	11¼	11½	+⅛
ZionUt	1.24	5	31¼	31¼	31¼	−⅛
Zital		4	4¾	4¾	4¾	−⅛
Ziyad		74	7½	6¾	6¾	−⅜
Zondvn	.34	37	11½	11⅜	11⅜	
Zymos		156	1½	1⅜	1⅜	
Zytrex		343	1⅞	1⅝	1⅝	−⅛

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,591



ACROSS

1 Marsh has a meeting put into the paper (8)

5 Christmas is one, 27 across another (6)

10 An astronomical figure (5)

11 *Few show* support (9)

12 Shouts and upsets the hosts (9)

13 Got down to making a proposal? (5)

14 No tricks, that's a promise (6)

15 Old ones like this have little sense (7)

18 Give exclusive treatment to a cricketer (7)

20 Subject about right for a mundane circle (6)

22 One knows them to be well informed (5)

24 A way of looking for respect (4, 5)

25 I'm informed against and arraigned (9)

26 Craft about to capsize (1-4)

27 Terse arrangement about a holiday that's not fixed (6)

28 Countrymen give vegetables to workers (8)

DOWN

1 No score in even game (6)

2 I say I'm not affected by hatred (9)

3 Senior politician in torment if seat is in jeopardy (8, 2, 5)

4 Grenville's ship is sweet, it's said (7)

6 Show resolution and reject pleas for disarmament (5, 2, 4, 4)

7 Possibly beat a retreat (5)

8 He takes part in an act of duplicity (8)

9 Unions strangely in agreement (6)

16 One may be prone to take things so (5, 4)

17 A bit over-developed and not at all successful (8)

19 Produce nippers (6)

20 A down-trodden machine-worker (7)

21 Says they may follow United (6)

23 Navy man and journalist (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

هكذا من الأصل

هكذا عن الأصل

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Midland Bank Tst Corp (Jersey) Ltd
28-34, Hill St, St Helier, Jersey. 0534 72156

MdBkOsGt	106.5	106.9	....	11.21
MdBkIntBd	$1.06	1.8	....	7.41

Minerals Oils Res Shrs Fd Inc
PO Box 194, St Helier, Jersey. 0534 27441

MoresDc6	$11.04	11.54	....	3.81

Samuel Montagu Ldn Agents
114, Old Broad St, EC2. 01-628 3434

MtAmEqInc(z)	97.0	101.5	+0.5	5.66
MtJapInc(z)	70.4	74.0	....	4.19
MntGiltInc(3/10)	50.5	53.2	−0.1	10.09
MtStRsD5	£15.13	15.14	....	9.17
MtInSDec5	$9.21	9.68	....	—
ApiDec5	SF103.65	112.50	....	1.23
JpNv30	HK$43.08	46.62	....	0.16
117GpN30	$17.43	18.75	....	1.38
MFRNFD6	$10.16	10.18xd	....	—
US FIFNv6	$11.22	11.82	....	—

Murray Johnstone (Inv Adviser)
163, Hope St, Glasgow, C2. 041-221 5521

HpeStDec4	$65.47	71.20	....	—
MurFdDc6	£18.73	19.95	....	—
PacFdDec5	$4.12	4.41	....	—

NEL International Ltd
PO Box 119, St Peter Port, Guernsey, CI.

SterlingDep	77.3	81.4	....	—
SterlFxdInt	89.00	93.7	....	—
SterlingMan	93.5	103.8	....	—
IntFxdMan	104.8	113.9	....	—
IntMan	104.2	113.2	....	—

Nat Westminster Jersey Fd Mgrs Ltd
23/25 Broad St, St Helier, Jersey. 0534 70041

HhInFd(a)(b)	54.8	57.0	....	10.53
EqtyFd(a)(b)	100.6	107.0	....	2.09
IntBdFd(a)*	77.7	80.0xd	....	6.92

*Sub day every Thurs.

County Bank Currency Fund (z)

Dollar Class	$23.1104	+0.0056	—
Sterling Class	£11.4498	+0.0029	—
D-Mark Cl	DM53.5488	+0.0055	—
DutchGldrCl	DFl53.5086	+0.0059	—
Jap Yen Cl	Y5,431.4803	+0.882	—

Negit SA
10a Boulevard Royal, Luxembourg.
NAV $9.20 .... —

Newport International Management

Surinvest (Jersey) Ltd
4 Hill St, Douglas, IoM. 0624 29441

Copper Tst	£13.96	14.73	....	—

TSB Trust Funds (CI)
26 Hill St, St Helier, Jersey (CI). 0534 77494

TSB Gilt Fd	103.0	106.0	....	11.32
TSBGiltFdJy	103.0	106.0	....	11.32
TSB Jy Fd	96.9	102.0	....	3.71
TSB Grnsy Fd	96.9	102.0	....	3.71
TSBCrncyFd	102.4	107.6	....	—

Prices on Nov 28. Next sub day Dec 5.

Taiwan (ROC) Fund
c/o Vickers da Costa Ltd, King William St, London, EC4 01-623 2494
NAV $457. IDR value US$11,578.41.

Target Trust Mngrs (Jersey) Ltd
PO Box 194, St Helier, Jersey. 0534 72936

Man Cur Fd	104.7	110.4	+0.1	4.17

Tennant (Cayman) Managers Ltd and NATCO
PO Box 2189, Grand Cayman. 0101 (809) 9497436

Watmstr Cm	$8.33	8.79	....	—

Tokyo Pacific Holdings NV
Intimis Management Co NV, Curacao.
NAV per share $138.93.

Tokyo Pacific Hldgs (Seaboard) NV
Intimis Management Co NV, Curacao.
NAV per share $101.30.

Tyndall Bank (Isle of Man) Ltd
30 Athol St, Douglas, IoM 0624 29201

Stg Mny Fd	9.25	Nil	Qtr	Chq/7
US$ Mny Acc	8.00	Nil	Qtr	Chq/7

Tyndall Managers
2 New St, St Helier, Jersey. 0534 37331-3

TOFSL	192.1	206.2	....	1.21
American	204.2	220.4	....	1.82
Far Eastern	260.0	278.6	....	0.90
European	113.6	121.6	....	0.82
Prtflo Man	103.5	111.2	....	—
Prtflo Amer	98.8	106.5	....	—
PrtfloSIFEst	107.0	114.7	....	—
PrtfloSoEuro	106.8	114.3	....	—
Jersey Fd	173.2	189.4xd	....	5.06
(Nn-JAcUts)	424.6	463.6	....	—
Gilt Fund	117.0	119.2xd	....	10.00
(Accum Shs)	316.0	321.3	....	—

[illegible] Douglas, IoM. 0624 24111

High Inc Gilt	112.4	114.6	....	12.24

Gilt&Opt Fd	£1.18	1.24	....	5.00
U.S. $ Opt	$0.94	0.99	....	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg.

WwdGthFd	£11.30	—	−0.03	—

Inv. Adv.: M&G Inv. Mngt. Ltd., London.

Wren Commodity Management Ltd
10, St George's St, Douglas, IoM. 0624 25015

Wren Com Fd	12.8	13.5	....	3.10
Chinese Fd	59.9	62.4	....	1.70
PrecMetFd	122.7	127.8	....	8.30
VangCmdyFd	23.5	24.1	−1.6	—
FinFuturesFd	32.4	33.8	....	—

Yamaichi Dynamic Mngt Co SA
10a Boulevard Royal, Luxembourg.

Dynamic Grth Fd	$9.18	....	—

Money Market Trust Funds

	Nom	Apr	Int Cr	Notice
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	9.31	9.56	6mth	Call
7-day Fund	9.57	9.82	6mth	7-day
Oppenheimer Money Management Ltd				
66 Cannon St EC4N 6AE. 01-236 1425				
Call Fund	8.92	9.11	6mth	Call
7-day Fund	9.25	9.46	6mth	7-day
MnyMgAc	8.875	9.175	3mth	Call
Dollar	7.50	7.64	6mth	2-day

Money Market Bank Accounts

	Nom	Apr	Int Cr	Notice
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.375	9.71	Qtr	Call
Mth Int Chq	9.25	9.65	Mth	Call
Bank of Scotland				
38 Threadneedle St, EC2 2EH. 01-628 8060				
Cheque Acc	9.25	9.65	Mth	Call
Barclays Prime Account				
PO Box 125, Northampton. 0604 252891				
High Int Chq	9.25	9.57	Qtr	Call
Britannia Grp of Investment Companies				
29 Finsbury Circ, EC2M 5QL. 01-555 2777				
Cater Allen	9.25	9.65	Mth	Call

0272 732241

Demand Acc	9.28	9.60	Qtr	Call
Money Acc	9.375	9.71	Qtr	Chq

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth. 0705 827733

Special Acc	9.00	9.38	Mth	Call
Over £10,000	9.25	9.65	Mth	Call

NOTES—Interest rates given both as a nominal rate and an annual percentage rate adjusted for frequency of interest credit.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered prices includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. § Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase.

profit,(praflt)n.excess of revenues over outlays. Easily achieved by relocating to Scunthorpe and reducing overheads. [C14: from Latin profectus to progress rapidly].
For details telephone ... 0724 869494
Scunthorpe Makes the difference.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
22 Aug	22 Feb	Treas. 15pc 1985	100½	16.7	14.86	9.64
22 Sep	22 Mar	Exch. 12pc Cnv. '85	100⅝	16.8	11.93	9.63
21 Nov	21 May	Treas 3pc 1985	97⅛	15.10	3.09	9.77
15Jan	15Jul	Treas 11½pc 1985	101	8.6	11.39	9.65
3 Mar	3 Sep	Treas 8¼pcCnv '85	99⅛	30.7	8.82	9.85
22 May	22 Nov	Exch. 12¼pc 1985	102⅛	16.10	11.99	9.76
25 Aug	25 Feb	Exch. 11¼pc '86	101⅛	9.93	11.53	9.91
11Oct	11Apr	Treas. 10pcCnv 1986	100	4.9	10.00	9.97
19 Nov	19 May	Treas 3pc 1986	93¼	15.10	3.22	8.06
19 Nov	19 May	Exch. 10½pc Cv '86	100⅜	15.10	10.43	10.04
12Dec	12Jun	Treas 12pc 1986	102⅝xd	5.11	11.70	10.13
10 Jan	10 Jul	Treas 8¾pc 1984-86‡‡	97⅛xd	4.12	8.68	10.00
29 Apr	29 Oct	Exch. 14pc 1986	106⅛	24.9	13.18	10.27
21 May	21 Nov	Exch. 2½pc 1986	89⅛	15.10	2.81	8.80
22Jul	22Jan	Exch. 13¾pc 1987	105¼	15.6	12.60	10.43
10 Aug	10 Feb	Treas 10½pcCv '87	99⅞	4.7	10.30	10.42
24Aug	24Feb	Exch 2½pc 1987	87⅜	18.7	2.85	8.77
6Oct	6Apr	Exch. 10½pc 1987	100⅛	3.9	10.49	10.41
1 Nov	1 May	Funding 6½pc '85-87‡‡	92⅜	25.9	7.02	10.05
12Dec	12Jun	Treas. 10pc 1987	99xd	5.11	10.10	10.47
14Jan	14Jly	Treas 3pc 1987	86⅛	9.58	3.47	9.00
3May	3Nov	Treas. 12pc 1987	103½	27.9	11.59	10.55
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
F May Aug N	Abbott Labs.ß	32⅝	10.10	$1.20	—	3.0
Mr.Ju.Se.De	Ahmanson (H.F.)	19⅝	—	$1.20	—	4.9
F My Ag N	Alcoa $1	28½	30.4	$1.20	—	3.4
Mr Jn Se Dc	Allied Corp $1	29	5.11	$1.80	—	5.0
My Jly S D	Amax $1	14⅛xd	6.11	20c	—	1.1
F My Au Nv	Amdahl 5c	944p	11.4	20c	—	1.7
F.M.A.S.	Amer. Express $0.60	29⅛	3.1	$1.28	—	3.5
F My.Au.N.	Amer Medical Int $1	18xd	5.10	60c	—	2.7
May Au No Fb	Amer. Nat. Res. $1	30⅝	10.10	h$1.41	—	3.7
Ap Jy Oc Ja	American T. & T. $1	15⅛	27.3	$1.20	—	6.2
My Au N F	Ameritech $1	62½	—	$6.00	—	7.8
Mar Jn S D	Amfacll	18⅝	16.11	$1.44	—	6.3
—	♥AridTechll	29⅛	—	—	—	—
Fb My Au N	Bankamerica $1 ⅝	14⅝	9.11	$1.52	—	8.4
Ap Jly Oc Jan	Bankers N.Y. $10	43½	29.3	$2.45	—	4.6
My Au N Fb	Bell Atlantic $1	65⅛	27.3	$6.40	—	7.9
Fb My Au N	Bellsouth $1	27⅛xd	25.9	$2.60	—	7.8
Mar Jun S D	♥Beth Steel $8	12⅜	4.11	60c	—	3.9
Oc Ja Ap Jy	Bowater Inc.	17⅛	—	72c	—	3.4
Ja Ap Jly O	Brown'g-Fer. 16⅔c	28⅛	13.6	$1.08	—	3.1
F My Au N	Brunswick Corp.ll	24⅛	22.10	80c	—	2.7
	♥Business Computer	544p	—	—	—	—
Jan Ap Jly O	CPC Intnl. 25c	33xd	25.6	$2.20	—	5.4
Mar. June S D	CalFed Inc $1.00	12⅛	9.8	32c	—	2.5
Oc Ja Ap Jy	Campbell Soup 60c	56⅛	1.4	$2.50	—	3.6
F My Au N	Caterpillar Tractorll	25⅛	17.10	50c	—	1.6
Fb.My.Au.Nv.	Chase M'htn $12.5	37xd	10.8	$3.65	—	8.0
Ap Jy Oc Ja	Chemical New York	27⅛	12.3	$2.36	—	6.9
Mar Jun S D	Chesebrough-Pond's $1	27⅛xd	28.11	$1.92	—	5.7
Mar Jun S D	Chrysler $6¼	23⅛	12.3	60c	—	2.0
My Au N F	Citicorp $4	29⅜	27.3	$2.06	—	5.6
My Au N F	City Inv. $1.25	30⅛	26.3	$2.00	—	5.3
F My Au N	Colgate-P $1	20⅛xd	20.7	$1.28	—	5.0
Mr.Ju.Se.De.	Colt Inds. $1	42⅛	11.9	$2.50	—	4.8
Oc Ja Ap Jly	Cons. Foods $1⅓	26⅛xd	28.11	$1.30	—	4.0
F May Au N	Cont. Illinois $5	485p	27.3	—	—	—
—	♥Corporate Data Scnce.	177p	—	—	—	—
Apr Jly O Ja	Crown Zell. $5	24⅛xd	5.12	$1.00	—	3.3
—	Damson Oil 40c	374p	—	—	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

BANKS, HP AND LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BEERS, WINES—Cont.

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

هكذا من الأصل

هكذا عند الكل

INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Nov	May	Martin-Black	226	5'79	—	—	—	—
—		Maukesons 7¼%	689	30.6	07¼%	2.3	9.0	—
Jan.	June	Metal Box £1	354xd	26.11	†15.0	3.2	6.1	5.7
Nov.	June	Metal Closures	152	17.9	6.3	2.3	5.9	(8.4)
—		Metal Sciences 2½p	13	—	—	—	—	—
April	Dec.	Metamec Jentique	8½	12.12	0.01	—	—	—
July	Jan.	Midland Marts	98xd	26.11	4.0	1.8	6.3	11.4
Jan	May	Mitchell Cotts	67xd	26.11	4.0	1.5	8.5	9.5
July	Dec.	Molben Grp 1p	15	9.4	‡‡0.5	2.5	4.8	(9.5)
Jan.	July	Morgan Crucible	178	12.13	†7.5	1.2	6.0	(28.0)
May		Morris (W) Fine Arts	14	—	bq0.25	4.0	2.6	12.8
Jan.	Aug.	Moss (Robt.) 10p	280xd	26.11	‡12.5	2.3	3.6	14.5
May	Nov.	MMW Computers	298	15.10	6.0	3.0	3.0	16.2
Mar.	Sept.	Nash Inds.	48	13.8	4.0	2.2	14.3	4.6

LEISURE—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
—		Nimslo Int 20c	18	—	—	—	—	—
July		Owners Abroad	17½	9.4	0.75	6.1	6.0	3.2
June	Nov	Photax (Lon.)	46	4'82	—	—	—	—
—		P'dilly Radio NV 5p	24	13.8	1.87	♦	11.6	♦
December		Pineapple Dec St.10p	57	14.11	d1.5	4.0	3.8	7.2
Sept.	Apr.	Pleasurama 5p	385	17.9	6.5	4.7	2.4	12.5
—		Pres Entertain 10p	17	—	bq0.02	2.0	0.2	21.6
Feb-July		Radio City 'A' NV	65	18.6	5.6	♦	13.1	♦
—		Radio Clyde N/V	55	4.6	3.0	1.4	7.8	12.8
July	Jan	Riley Leisure 10p	37	29.10	‡4.2	2.4	‡	3.1
Apr.	Nov.	Saga Hols. 20p	138	3.9	†3.75	1.6	3.9	23.1
April		Samuelson Grp £1	530xd	1.10	¶6.65	3.6	1.8	19.7
—		Sangers Photo 10p	25	29.10	bq1.25	1.8	7.1	11.3
—		Scanro 50p	138	—	bq3.68	2.2	3.8	16.8

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

INSURANCES

LEISURE

PROPERTY

PROPERTY—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Dec	July	McInerney 10p	57xd	26.11	076.9%	5.0	11.1	2.8
Dec	July	McKay Secs 20p	115	3.9	h2.8	2.2	3.5	18.7
Apr	Oct	Mountleigh	285	15.10	5.5	3.5	3.2	9.7
Mar	Aug	Mountview Ests. 5p	340	18.6	4.5	9.5	1.9	7.9
July	Oct	Muchlow (A. & J.)	78xd	14.5	4.73	1.2	8.9	11.9
—		New Cavendish 5p	95xd	26.11	1.2	1.1	1.8	66.7
—		New England Props 5p	18	26.3	1.0	1.5	7.9	(10.6)
September		Parkdale Hldgs. 10p	33	2.7	0.9	2.0	3.9	17.3
May	Dec	Peachey	234	29.10	7.0	2.1	4.3	15.7
March	Nov	Peel Hldgs.	288	17.9	d7.35	1.7	3.6	(21.3)
—		Phoenix Prop. and Fin.	32	—	—	—	—	♦
11'81		Priest Marians £1	560	11'80	B—	—	—	—
Jan.	July	Prop. Hldg. & Inv.	121	18.6	b2.25	1.5	2.7	35.5
Jan.	Aug.	Prop. Partnership	350	2.7	†7.0	1.8	2.9	31.0

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

DAI-ICHI EUROPE LIMITED

For

EQUITIES & BONDS

Durrant House, 8-13, Chiswell Street, London EC1Y 4TQ
Telephone: 01 588 4872
Telex: 883336 ICHILD

MINES—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
		Central African					
Jan	June	Falcon Z50c.	150	29.10	Q100c	♦	38.9
Nov.	May	Wankie Col. Z$1	9½	25.4	—	—	—
October		Zam.Cpr.SBD0.24	14½	9'80	—	—	—
		Australians					
—		WACM 50c	52	—	—	—	—

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

OPTIONS — 3-month call rates

"Recent Issues" and "Rights" Page 20

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security.

BIMBO RESTAURANTS LTD. GAMING ACT 1968

11 - 12 King William Street Coventry

Bimbo Restaurants Limited wish to announce that they have been granted a Gaming Licence by the Coventry Gaming Licencing Committee for Roulette, Black Jack, and Punto Banco on the Ground Floor, and Card Room games of Equal Chance on the First Floor of the premises situate at 11/12 King William Street, Coventry (whole building) to be known as

"ANNABELLE CASINO"

The Casino will be open from December 17th 1984 for gaming daily between 2.00 p.m. to 4.00 a.m. and on Saturdays between 2.00 p.m. to 2.00 a.m. The Gaming Act requires that before a member of a casino may participate in gaming a Declaration of Intentation to Game must be signed on the premises not less than 48 hours before participating.

In order to comply with this requirement there will be an office at the Casino open from 4.00 p.m. to 11.00 p.m. daily from the 10th December 1984. Refreshments will be available at all times.

NOTICE OF EARLY REDEMPTION

The Tokai Bank, Limited
US $30,000,000

Callable Negotiable Floating Rate London Dollar Certificates of Deposit

Series AR Certificate No. 003441-003500 issued on 28th January, 1983 Maturity Date 30th January, 1986 Callable in January, 1985.

Notice is hereby given in accordance with Clause 5 of the Certificates of Deposit (the "Certificates") that pursuant to Clause 3 of the Certificates, The Tokai Bank, Limited will prepay all outstanding Certificates on 30th January, 1985 (the "Prepayment Date"), at their principal amount.

Payment of the principal amount, together with accrued interest to the Prepayment Date, will be made on the Prepayment Date against presentation and surrender of the Certificates at the London Branch of The Tokai Bank, Limited, P. & O. Building, Leadenhall Street, London EC3V 4RD.

Interest will cease to accrue on the Certificates on the Prepayment Date.

Bank of America International Limited
Agent Bank

10th December, 1984

'COMMODITY PERSPECTIVE'

America's Leading Futures Charting Service — the proven tool for technical analysis.
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CALL 01-789 9462
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CURRENCIES, MONEY and CAPITAL MARKETS

FINANCIAL FUTURES

LONDON

[illegible]

CHICAGO

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week. Band 4 bills 9⅛.

FOREIGN EXCHANGES

Caution over the dollar

BY COLIN MILLHAM

Present conditions with regard to the dollar are confusing. At the end of November the U.S. currency appeared to be heading for new heights, but last week failed to maintain any sort of momentum. It fell nearly 2 pfennigs against the D-mark without any major effort by the German Bundesbank, and would probably have lost more ground, but for a larger than expected rise in weekly M1 money supply and a drop in U.S. November unemployment.

The unemployment figure was one of the very few contrary signs about the speed of economic growth. Almost all other recent data has pointed to a marked slowdown, while the rise of $2.2bn in M1 money supply followed the previous weekly increase of $6.7bn, and compared with an expected figure of around $1.5bn. Growth is around the middle of the Federal Reserve's target range, but the latest two figures have led to suggestions the Fed has called a halt to any further easing of interest rates.

Apart from money supply and unemployment figures it was a very dull week as far as statistics were concerned, and a very quiet week with regard to foreign exchange trading.

The Bunesbank is believed to have up to $400m to turn into D-marks by the end of the year from its investments in U.S. securities, and if the present low volume continues, this could offset any commercial buying of the currency during the same period.

The German central bank almost certainly sold dollars on the open market on Thursday and Friday, but this had little impact. The market remained thin and erratic, lacking any sense of direction.

Forecasting movements in exchange rates over a period of months is difficult and chancy, but in the present market trying to gauge whether the dollar will go up or down on a single day has more than a small element of risk in it.

STERLING EXCHANGE RATE INDEX

	Dec 7	Previous
8.30 am	74.6	74.8
9.00 am	74.6	74.8
10.00 am	74.6	74.8
11.00 am	74.7	74.6
Noon	74.6	74.6
1.00 pm	74.7	74.7
2.00 pm	74.7	74.6
3.00 pm	74.6	74.7
4.00 pm	74.7	74.7

£ in New York

	December 7	Prev. close
£ Spot	$1.2030-1.2040	$1.2085 2095
1 month	0.08 0.05 pm	0.07-0.04 pm
3 months	0.10-0.05 pm	0.11 0.06 pm
12 months	0.48-0.63 dis	0.40-0.55 dis

Forward premiums and discounts apply to the U.S. dollar

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.2030	1.2026	[illegible]	[illegible]	[illegible]
D-Mark	3.71	3.6983	[illegible]	[illegible]	[illegible]
French Franc	11.3850	11.3876	[illegible]	[illegible]	[illegible]
Swiss Franc	3.06	3.0483	[illegible]	[illegible]	[illegible]
Japanese Yen	287.50	296.73	[illegible]	[illegible]	[illegible]

POUND SPOT—FORWARD AGAINST POUND

Dec 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.1990-1.2110	1.2060-1.2070	0.07-0.05c pm	0.60	0.12-0.10 pm	0.36
Canada	1.5892-1.5953	1.5936-1.5953	0.14-0.22c dis	−1.35	0.39-0.53dis	−1.15
Nethlnd.	4.16½-4.19½	4.16½-4.17½	1½-1¼c pm	3.96	4⅛-3¾ pm	3.78
Belgium	74.44-74.90	74.45-74.65	4-9c dis	−1.05	13-22 dis	−0.94
Denmark	13.29¼-13.37½	13.31½-13.32½	2½-3½ore dis	−2.70	6¾-7¼ dis	−2.18
Ireland	1.1876-1.1961	1.1883-1.1893	0.46-0.62p dis	−5.45	1.42-1.65dis	−5.01
W. Ger.	3.68½-3.72¼	3.68½-3.69½	1⅜-1¼pf pm	4.06	3¾-3⅝ pm	3.86
Portugal	198.55-200.33	198.77-200.14	195-625c dis	−24.86	585-1735dis	−23.26
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 74.70-74.80. Six-month forward dollar 0.05c pm-par, 12-month 0.38-0.48c dis.

BANK OF ENGLAND TREASURY BILL TENDER

	Dec. 7	Nov. 30		Dec. 7	Nov. 30
Bills on offer	£100m	£100m	Top Accepted rate of discount	[illegible]	[illegible]
Total of applications	£375.88m	£359m	Average rate of discount	[illegible]	[illegible]
Total allocated	£100m	£100m	Average yield	[illegible]	[illegible]
Minimum accepted bid	£97.73	£97.74	Amount on offer at next tender	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]			

DOLLAR SPOT—FORWARD AGAINST DOLLAR

[illegible]

OTHER CURRENCIES

[illegible]

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

[illegible]

EURO-CURRENCY INTEREST RATES (Market closing rates)

[illegible]

MONEY MARKETS

London steady and quiet

Interest rates remained steady on the London money market last week. Sterling performed reasonably well, and dealers were pleased the pound was generally above the $1.20 level. Oil prices continue to cause some concern, and the market fears a more flexible system of pricing North Sea crude, linked to the spot market, may create increased volatility on the foreign exchanges. The pound was helped by the weaker tone to the dollar, but will remain rather vulnerable to movements on the spot oil market, at least until the Opec ministers' meeting next week.

With the pound firmer against the dollar, and only slightly down on its exchange rate index, London interest rates were hardly changed. Hopes of another cut in clearing bank base rates have faded into the background, and for the most part the market's attention was focused on the supply of day-to-day credit.

This was distorted by payment for the British Telecom share issue, although in general the shortages were not as large as expected, and were relieved with generous help from the Bank of England when required.

There were one or two days when the discount houses were attracted by the rate of early overnight money, and fearing a sudden swing against the market in the afternoon, borrowed the money rather than waiting to sell bills to the Bank of England. This left the market looking rather short on the day, but was not an indication of any move to tighten liquidity by the authorities.

Apart from the problems caused by British Telecom the London market was very quiet, with developments in the U.S. continuing to dominate sentiment. The Federal Reserve's stance appeared to be neutral. Wednesday was make-up day for New York banks, and the U.S. central bank first drained temporary reserves through a reverse repurchase agreement, but then added pemanent reserves to the banking system, by offering to buy all bills, through a process known as a bill pass. Apart from this, the general level of Fed intervention tended to indicate that the target rate for Federal fuds is around 8⅞-9 per cent, but the latest money supply figures have tended to quash any hopes of a further easing of monetary policy.

UK clearing banks' base lending rate 9¼-9½ per cent since November 23.

MONEY RATES

Dec. 7	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.60-5.60	10⅝	1⅝-1⅝	5⅝-5¾	6.59375	16⅞-17¼	11.60	14⅞-15⅛
One month	5.90-6.00	10 1/16-10 3/16	5-5⅝	5 11/16-5 13/16	6.53125	16⅞-17¼	10⅝-10⅞	15-15¼
Two months	5.80-5.90	10⅝ 10¾	—	—	—	—	—	15-15¼
Three months	5.75-5.90	10⅝ 10¾	5-5⅛	5 11/16-5 13/16	6.28125	16⅞-17¼	10⅝-10⅞	15-15¼
Six months	5.75-5.90	10⅛-10⅝	—	5 11/16-6 1/16	—	—	10½-10¾	14¾-15¾
Lombard	5.5	—	—	—	—	—	—	—
Intervention	[illegible]	10¾	—	5¾	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. December 7)
3 months U.S. dollars

bid 9 1/4	offer 9 3/8

6 months U.S. dollars

bid 9 5/8	offer 9 3/4

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

[illegible]

ECGD Fixed Rate Export Finance IV: Average Rate of Interest period November 7 to December 4 1984 (inclusive): 9.308 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 10½ per cent from December 1 1984. London and Scottish Clearing Bank Rates for lending 9½-9¾ per cent. London Deposit Rates for sums at seven days' notice 6-6½ per cent. Treasury Bills: Average tender rates of discount 9.0894 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 9¾ per cent; one-three months 9¾ per cent; three-six months 9¾ per cent; six-nine months 10 per cent; nine-12 months 10 per cent. Under £100,000 9½ per cent from November. Deposits held under Series 5 10 per cent. The rate for all deposits withdrawn for cash 7 per cent.

MONEY RATES

NEW YORK (4 pm)

Prime rate	11¼-11½
Broker loan rate	9¾-10½
Fed Funds	8⅞
No Fed intervention	(—)

Treasury Bills

One month	7.65
Two month	8.25
Three month	8.35
Six month	8.59
One year	8.85

Treasury Bonds

Two year	99 13/32
Three year	100 13/32
Four year	100⅝
Five year	98 11/32
Seven year	102⅞
10 year	99⅞
30 year	100⅛

This advertisement complies with the requirements of the Council of The Stock Exchange.

The Taiwan (R.O.C.) Fund

(A contractual investment fund established under the laws of the Republic of China)

Placing of 3,395,000 Second Tranche Units at an issue price of U.S.$12.10472 per Second Tranche Unit

The following have agreed to subscribe for the Second Tranche Units:

Credit Suisse First Boston Limited — **Vickers da Costa Ltd.**
Robert Fleming & Co. Limited — **Wardley Investment Services Limited**
Citicorp International Limited — **Gartmore Investment Management Limited**
Lazard Brothers & Co., Limited — **The Nikko Securities Co., (Europe) Ltd.**
United Merchant Bank Limited

The Second Tranche Units, which will rank pari passu in all respects with the First Tranche Units except as to the first date for redemption upon request, will be represented by Beneficial Certificates, in the denomination of 1,000 Units each, or integral multiples thereof, and, as the case may be, International Depository Receipts ("IDRs"). Application has been made to the Council of The Stock Exchange for the Second Tranche Units to be admitted to the Official List.

Income will be distributed annually in arrears in or about March, the first payment being made in or about March, 1985.

Full particulars of the Second Tranche Units are available in the Extel Statistical Service and may be obtained during usual business hours up to and including 24th December, 1984 from the brokers to the issue:

Vickers da Costa (U.K.) Ltd.,
Regis House,
King William Street,
London EC4R 9AR

10th December, 1984

US$30,000,000

Sun Hung Kai Securities Limited

Floating Rate Notes due 1986

In accordance with the provisions of the Notes notice is hereby given that for the six months interest period from December 10, 1984 to June 10, 1985 the Notes will carry an interest rate of 10 9/16% per annum. The relevant Interest Payment Date will be June 10, 1985 and the interest then payable against coupon No. 7 will be US$533.99 per US$10,000 Note.

December 10, 1984
By: Citicorp International Bank Limited, Agent Bank

BANQUE PARIBAS

U.S. $200,000,000

Undated Floating Rate Securities

In accordance with the provisions of the Securities, notice is hereby given that for the three months interest period from 10th December, 1984 to 11th March, 1985 the undated Securities will carry an Interest Rate of 9⅝% per annum.

Interest due on 11th March, 1985 will amount to U.S. $24.33 per U.S. $1,000 undated Security.

Morgan Guaranty Trust Company of New York
London
Agent Bank